Appendix A

Budget Monitoring Report 2023-24 as at 30th September (Period 6)

Circulated to	CPAP
Date	29 November 2023
Classification	Unrestricted
Report of	Corporate Director of Resources
Lead Member	Cllr Saied Ahmed, Cabinet Member for Resources and the Cost of Living
Originating Officer(s)	John Harrison, Interim Director of Finance, Procurement and Audit Ahsan Khan, Head of Strategic Finance (Chief Accountant)
Wards affected	All Wards
Key Decision?	No

General Fund (GF) forecast £4.2m overspend variance

Dedicated Schools Grant (DSG) forecast Breakeven position

Housing Revenue Account (HRA) forecast £1.1m underspend before transfer to reserve

Period 6 Forecast Outturn as Overspend/(Underspend) (£m)

	2023/24 Net expenditure budget	Actuals	Forecast outturn	Gross over / (under) spend	Transfer to / (from) reserves	Net variance over / (under) spend	Increase / (decrease) net forecast spend from Quarter 1
	A		B	C = B - A	D	= C + D	
Children's Services	87.4	58.5	89.4	2.0	0.4	2.4	**0.0**
Resources	45.2	117.1	46.3	1.1	(1.4)	(0.3)	**(0.4)**
Chief Executive's	17.6	8.8	15.3	(2.3)	0.8	(1.5)	**0.3**
Health and Adult Social Care	168.8	81.9	178.9	10.1	(8.0)	2.1	**(1.1)**
Housing and Regeneration	41.0	34.9	50.9	9.9	(6.1)	3.8	**(0.2)**
Communities	49.0	19.0	50.5	1.5	0.8	2.3	**0.5**
Sub-total GF services	**409.0**	**320.2**	**431.3**	**22.3**	**(13.5)**	8.8	**(0.9)**
Corporate and Financing costs	36.5	13.1	34.6	(1.9)	(2.7)	(4.6)	(1.6)
Total General Fund	**445.5**	**333.3**	**465.9**	**20.4**	**(16.2)**	4.2	**(2.5)**
<u>Ringfenced Items</u>							
DSG Grant				0.0	0.0	**0.0**	
HRA				(1.1)	0.0	**(1.1)**	

<u>General Fund</u>

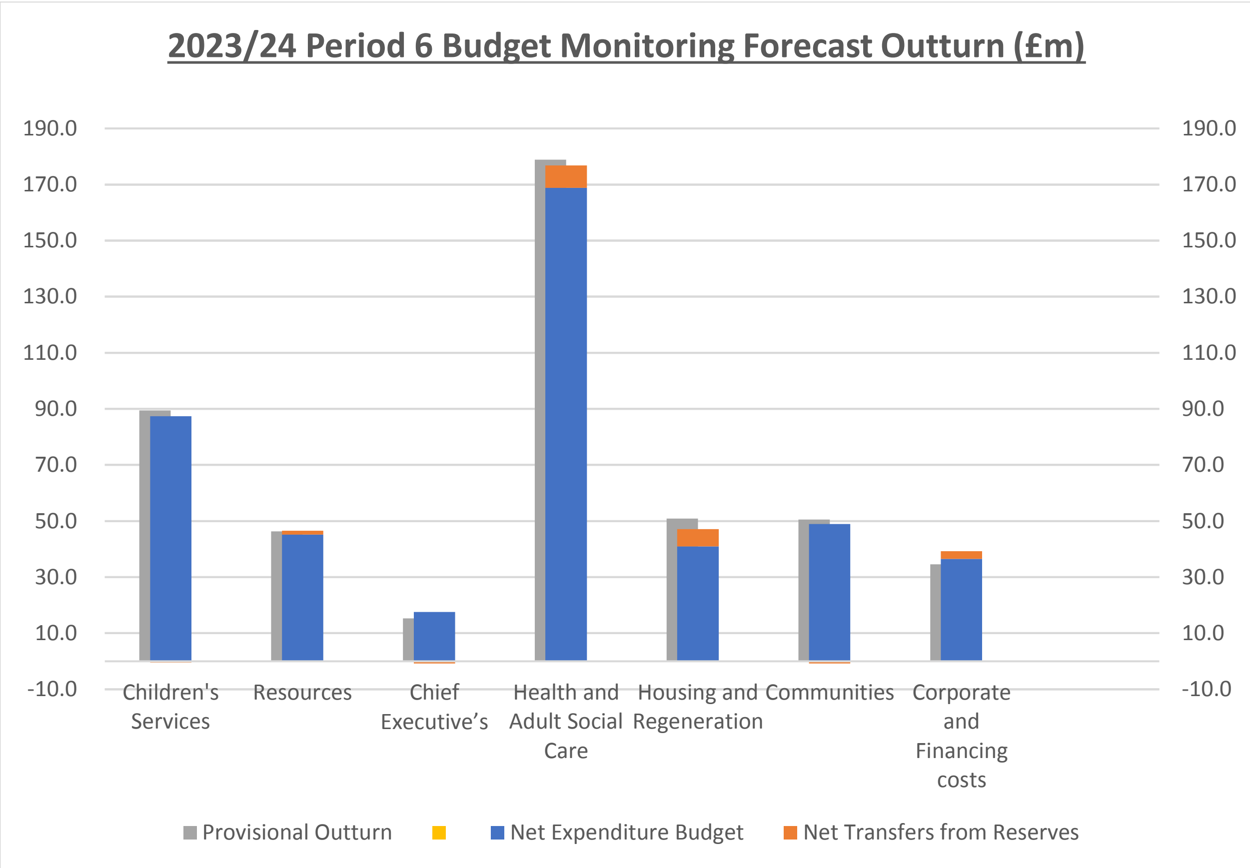
The total council approved revenue net expenditure budget for 2023/24 is £445.5m. The year-to-date actuals to period 6 (30th September) amount to £333.3m. The period 6, 2023/24 financial forecast is an underlying gross overspend of £20.4m. The position after the proposed net drawdown of earmarked reserves requested from directorates (subject to the approval of the CFO), totalling £(16.2)m, of which £2m was budgeted for in 2023/24, with the remainder of the reserve drawdowns being proposed from previously agreed reserves set aside in prior years, is an overall forecast £4.2m overspend variance (*see figure 1.1 below*), a decrease in the net overspend variance from Quarter 1 by £2.5m.

The council's overall general and earmarked reserves are detailed in section 5. General and earmarked reserve allocations brought forward from previous years have been done so for three main purposes; the council maintains general balances in order to provide a contingency against unplanned or unexpected events and earmarked reserves are maintained to help cushion the impact of uneven cash flows and avoid unnecessary temporary borrowing as well as setting aside funds to meet known or predicted future liabilities.

The detailed directorate monitoring, setting out the period 6 forecast outturn against revised budgets and the reasons for the variances are detailed within the body of this Appendix. The monitoring report will reflect the new departmental structures that took effect from August (Month 5) 2023.

Significant savings are still to be delivered in 2023/24 within a continuing challenging environment for the council. Any under/overspend at the year-end will be transferred to/funded from reserves.

Figure 1.1



General Fund and Earmarked Reserves

There is a forecast reduction in the year-end reserves position, this is summarised in the table below:

All in figures in £m	Draft outturn 31 March 2023*	Forecast in-year increase / (decrease)	Forecast 31 March 2024
General Fund balance	24.2	(4.2)	20.0
Reserves without restrictions	96.0	(26.5)	69.6
Sub-total	**120.2**	(30.7)	**89.6**
General Fund Restricted Reserves	101.6	(17.3)	84.4
Total	**221.8**	(47.9)	**173.9**

* latest Draft 31 March 2023 position

Some reserve movements do not show on the 'Period 6 Forecast Outturn as Overspend/(Underspend)' table either due to the way they are accounted for or their balance movements do not directly impact service Directorates. A reconciliation between the above table and the 'Period 6 Forecast Outturn as Overspend/(Underspend)' table is detailed as follows:

	£m
Directorates movement in reserves	**(16.2)**
Contribution to fund MTFS (from the Mayor's Priority Investment Reserve) as approved by council 1st March 2023	(22.1)
Contribution to fund Collection Fund deficit costs (from Collection Fund Smoothing Reserve)	(2.7)
Contribution to fund ICT non capitalisable infrastructure	(2.0)
Contribution to fund Transformation across services	(0.7)
Contribution to fund overall forecast overspend position	(4.2)
Total General Fund and Earmarked Reserves movement	**(47.9)**

General Fund balances and reserves without restrictions are forecast to decrease by £(30.7)m, from £120.2m to £89.6m in 2023/24. We are in a hugely unpredictable environment and we are facing significant challenges over the medium-term thus it is important to maintain reserves at an adequate level to help mitigate and manage these significant risks and ensure the council remains on a sustainable footing going forward.

General Fund Restricted reserves are forecast to decrease by £(17.3)m, from £101.6m to £84.4m in 2023/24, this includes funds that are to be utilised for specific purposes, including grants received in advance pertaining to the Collection Fund, the council's self-insurance reserve, Public Health and other various revenue grants the council has received, which include conditions on the spend.

Collection Fund

For Business Rates, to the end of Period 6, we have collected £242m of £430.4m billed (56.31% in-year collection rate) compared to 59.57% for 2022-23, the slight fall in rate is a result of the award of CARF during July 2022 which inflated collection rates in the short term. This includes collection of the Business Rate Supplement (BRS) for the London Crossrail development.

For Council Tax, to the end of Period 6, we collected £85.4m of the £177.2m Council Tax bills raised (48.2% in-year collection rate) compared to 47.15% for the same period in 2022-23, which is an improvement on last year but lower than pre-pandemic collection levels. Future years' collection rates could continue to be negatively affected by wider economic impacts being experienced by residents (including inflationary and market pressures on energy and food costs).

Dedicated Schools Grant (DSG) Budget

Forecast outturn on the spend within the Dedicated Schools Grant budget is a breakeven position. However, this budget is exceptionally volatile with the main variable related to spend on individual high needs arrangements for children with SEND. We have seen large increases in the number of referrals for assessment with the majority of those progressing to a full plan with additional cost. Current demand trends indicate that without larger than forecast growth in DSG allocations then we will not be a position to reduce the accrued DSG deficit that has been bought forward. This position is in common with the majority of Local Authorities, and we wait a direction on a longer-term solution from government.

HRA

The Housing Revenue Account is forecasting an underspend of £1.1m when compared with budget. It is assumed that this balance will be transferred to general HRA balances at year-end. Variances in the HRA relate to delegated budget, which is forecasting a year-end adverse variance of £1.4m, the THH management fee is forecasting a break-even position, the non-delegated budget is forecasting a year-end adverse variance of £1.1m and technical adjustment budgets are forecasting a favourable variance of £3.6m. Further details are provided in section 4 of this appendix.

Forecast overspend of £2.4m

Dedicated Schools Grant (DSG) forecast breakeven position

Service	2023/24 Net expenditure budget £m	Actuals £m	Forecast Outturn £m	Gross over / (under) spend £m	Transfer to / (from) reserves £m	Forecast over/(under) spend £m
	A		B	C = B - A	D	= C + D
Supporting Families	65.7	33.7	63.6	(2.1)	2.0	**(0.1)**
Youth and Commissioning	4.5	3.2	4.5	0.0	0.0	**0.0**
Education	12.8	7.5	14.8	2.0	0.4	**2.4**
Children's Resources	4.4	14.0	6.5	2.1	(2.0)	**0.1**
Education Impact of School Closures and Amalgamations	0.0	0.0	0.0	0.0	0.0	**0.0**
Total	**87.4**	**58.4**	**89.4**	**2.0**	**0.4**	**2.4**

The Children's Services Directorate is reporting a net overspend of **£2.4m**. The Supporting Families service is showing a net underspend of £0.1m, Youth and Commissioning a breakeven position, Children's Resources a net £0.1m overspend and Education an overspend of £2.4m. Children's Services is delivering on budget across all service areas, other than SEND where there are exceptional demand pressures.

Children's Services is on track to deliver its savings targets for 2023/24 of £2.37m in full.

The budget position reflects that Supporting Families is managing demand pressures well however the area remains volatile with just small changes in placements liable to significantly change the position. The division continues to deliver effective support through Early Help and Social Work teams that enables more children to remain within their family network than is the case in boroughs which are our statistical neighbours – and our children in care population remains stable and low despite recent pressures in relation to asylum seeking children. The service is becoming more reliant on specific grants with funding for family hubs and asylum and refugee funding as well as the social care grant although the full allocation of this was not received by services in 2023/24. The new Youth and Commissioning Division is managing its budgets well.

SEND pressures are the greatest concern and continue to increase with a clear link to the impact of the pandemic upon children's development, with unprecedented increases in the number of referrals for Education Health and Care Plans. Whilst the costs associated with the delivery of EHCPs are met from within the Dedicated Schools Grant (DSG) there are a number of services that relate to these increases that are met from within the General Fund including our statutory responsibilities in relation to assessments and annual reviews. These costs have significantly increased with the need for additional staff in Education Psychology and SEN casework, in order to keep pace with the rising demand. Whilst growth for staffing was included for 2023/24 the need to use locums and interim staff continues to cause a pressure where there these staff are in high demand and short supply.

There continues to be significant increases in the Costs of SEN transport costs, both with increased volumes of children accessing transport and the large increase in fuel costs and London ULEZ surcharges for private hire vehicles. Whilst a number of mitigations have been introduced to facilitate personnel budgets and accelerate the programme of travel training this is not keeping up with the volume growth. We are still working with the Communities directorate to find a solution to the uncertainty and volatility of the internal transport budgets that are split with adult services, with a greater proportion and pressure now being met from Children's Services budgets.

The use of £2m of reserves will be drawn down to support the costs of Primary Free School Meals in line with the agreed MTFS.

Provisional outturn on the spend within the Dedicated Schools Grant budget is a breakeven position. However, this budget is exceptionally volatile with the main variable related to spend on individual high needs arrangements for children with SEND. We have seen large increases in the number of referrals for assessment with the majority of those progressing to a full plan with additional cost. Current demand trends indicate that without larger than forecast growth in DSG allocations then we will not be a position to reduce the accrued DSG deficit that has been bought forward. This position is in common with the majority of Local Authorities, and we wait a direction on a longer-term solution from government.

Significant variances

Supporting Families: - £0.1m underspend

Children Looked after - £0.2m overspend.

As well as the usual pressure of placement costs, there are currently additional agency staff in this area.

Family Support and Protection- £0.1m overspend.

This is in relation to families and young people with no recourse to public funds accommodation costs which have increased significantly.

Children's Residential Care- £0.3m underspend.

Relates to Edge of Care underspend on reduction of Positive Family Partnerships payments. Final projection based on a remaining cohort of 5.

Fieldwork advice and assessment- £0.1m underspend.

This is in relation to staff vacancies and movement of staff.

Youth and Commissioning

Budgets in Youth and Commissioning are currently showing as breakeven, as the budgets continue to be established for this new division.

Education £2.4m overspend

SEN Transport £1.1m overspend.

SEN transport continues to be a pressure with both cost and volume pressures. Costs of internal transport have increased as the proportion of costs met by Children's Services have increased, while the demand for transport vehicles across London has pushed up the cost of individual transport arrangements. The number of EHCPs continues to rise and claims for individual transport requests are also rising.

SEN Staffing £0.6m overspend.

The increase in the number of EHCP plans and requests for assessments has meant that a number of temporary staff have been employed to reduce backlogs and maintain and review the current plans in place. This continues to be a pressure that is forecast to continue in the coming years.

Education Psychologists £0.7m overspend.

With the increase in EHCP requests to assess comes a greater call on the Psychology Service. Previously the service was supported by additional income generated from offering non statutory support to Schools. This has not been possible with the demand on the service which has also needed to cover some posts on a temporary basis. The cost of temporary staff in this area is particularly high as there is a strong market and shortage in supply.

Service	2023/24 Net expenditure budget £m	Actuals £m	Forecast Outturn £m	Gross over / (under) spend £m	Transfer to / (from) reserves £m	Forecast over/(under) spend £m
	A		B	C = B - A	D	= C + D
Customer Services	8.2	4.8	7.6	(0.6)	0.0	**(0.6)**
Finance, Procurement & Audit	8.8	15.4	10.0	1.2	(0.7)	**0.5**
ICT	13.3	11.0	13.4	0.1	(0.1)	**0.0**
Revenue and Benefits Service	2.9	80.2	3.2	0.3	(0.2)	**0.1**
Workforce, OD and Business Support Service	12.0	5.7	12.1	0.1	(0.4)	**(0.3)**
Total	**45.2**	**117.1**	**46.3**	**1.1**	**(1.4)**	**(0.3)**

*High actuals to date in Finance, Procurement and Audit due to Insurance Trading Account recharges to be processed, in Revenue and Benefits Service due to Housing Benefit income to come from government grant for the DWP subsidy and in ICT due to expenditure to be capitalised

Summary

The Resources directorate forecast is an underspend of £0.3m after movements from reserves of £1.4m.

Customer Services – £0.6m underspend

An underspend of £0.6m is anticipated for the service area. This is one-off to this financial year and is primarily due to the late appointment against the newly created posts in both the Watney Market Idea Store and the Residents' Hub. The area's underspend has increased by £0.2 million since Q1 due to increased grants being received in the Idea Store Learning service and the later appointment to the new posts approved in this year's Growth Bids.

The breakdown by each of the five services within Customer Services is:

Customer Services Management £0.2m underspend. This is due to late appointments in the Residents' Hub, which have been pushed back since the Q1 report. This is being partly counteracted by the funding of the salary costs for the Customer Relations Manager programme.

Registrars – Break Even position.

Information Governance - £0.2m underspend primarily due to late appointment of new posts from the Growth Bid. The underspend has increased since Q1 due to part-year vacancies for which the appointment dates have been pushed back since Q1.

Idea Stores - £0.1m underspend. This is due to the late appointment of staff in the Watney Market Idea Store. The forecasted underspend has decreased since Q1 since the budgets for some of the posts which have delayed appointments has been transferred out of the service.

Idea Stores Learning – £0.1m underspend. This is new from the Q1 report due to grant income from the Department for Education not being previously forecasted.

Finance, Procurement and Audit – forecast £0.5m overspend
There is a forecast overspend in staffing for the Procurement Team of £0.9m due to the current high number of procurements occurring, including social care homecare contracts and a high level of agency staff usage. The base budget has not proven sufficient in past years and a permanent recruitment and review of the structure is underway to fill posts covered by agency workers and address the budget shortfall.

Use of the £0.4m procurement reserve which was set aside in recognition of the pressures facing the service will be utilised to offset some of the overspend. Insurance outturn includes Reserve drawdown for team staffing of £0.3m.

Finance and Audit are currently forecasting a breakeven position, however the position in Finance is currently being reviewed as vacant posts have not yet been recruited to - this could result in an underspend.

Information Technology – breakeven forecast position

A forecast breakeven position, following the drawdown from the ICT Transformation reserve and the Cyber Security Grant reserve (0.1m).

Transfers from reserves will be calculated at year end once an assessment of revenue costs related to capital expenditure are carried out.

The IT service is experiencing inflationary pressures which could impact this year's position as contracts are renewed during the year.

Revenues and Benefits Service – forecast £0.1m overspend.
There is an underlying budget pressure of £0.8m in the service. This will be offset by underspends elsewhere in the service totalling £0.5m. This consists of part-year vacancies of £0.1m (same as Q1), an increased level of Dept of Work and Pensions Housing Benefits subsidy of £0.3m (£0.1 million higher than Q1) and an underspend of £0.1 million (new to Q2) in the Financial Assessment team primarily due to the holding of a vacant post. The Actuals spend is high since we hold the DWP's grant subsidy in the Balance Sheet.

A drawdown from reserves of £0.2m will also help reduce the overspend. The reserve was created from New Burdens grant received in 22/23 in relation to administration of government support schemes.

Workforce, OD and Business Support Service – £0.3m underspend.

This underspend has been uncovered since Q1 and is due to the Business Support Service funding some posts from other sources and additional savings in the Learning and Organisational Development area.

Learning and Development £0.2m underspend. This includes £0.3 million funding from the Transformation Reserve for the posts supporting the reorganisation. The underspend is due to combined savings from part-year vacant posts and underspends in the Training and the National Graduate

Development budgets, the latter due to two of the cohort securing posts elsewhere in the Council. This represents an increase in underspend of £0.1 million since Q1.

HR £0.2m underspend. This includes £0.1 million from the Transformation Reserve to fund posts supporting the reorganisation. The underspend has been caused by a combination of staffing vacancies and new appointments at the bottoms of the grades.

Business Support Service £0.1m overspend. This is due to historical budget pressures within the service. The budget position has improved by £0.2 million since Q1 mainly due to some of the posts attracting funding from outside of the service.

Service	2023/24 Net expenditure budget £m	Actuals £m	Forecast Outturn £m	Gross over / (under) spend £m	Transfer to / (from) reserves £m	Forecast over/(under) spend £m
	A		B	C = B - A	D	= C + D
Communications and Marketing	2.1	1.2	2.2	0.1	(0.1)	**0.0**
Strategy, Improvement and Transformation	7.9	3.3	5.5	(2.4)	0.9	**(1.5)**
Legal, Monitoring Officer, Democratic and Electoral Services	5.2	2.9	5.1	(0.1)	0.0	**(0.1)**
Corporate Management	0.3	0.3	0.3	0.0	0.0	**0.0**
Mayor's Office	2.1	1.1	2.2	0.1	0.0	**0.1**
Total	**17.6**	**8.8**	**15.3**	**(2.3)**	**0.8**	**(1.5)**

The Chief Executive's Office outturn indicates an underspend of £1.5m following movements from reserves.

<u>Communications and Marketing – Breakeven after drawdown from reserves</u>
Forecast breakeven position following the drawdown of the £0.1m Communications Reserve to support costs relating to the insourcing of Tower Hamlets Homes and leisure services.

<u>Strategy, Improvement and Transformation – £1.5m underspend after transferring £0.9m to VCS grant reserve.</u>
Forecast underspend of £1.5m to the general fund due to funding of the new Mayor's Community Grant Programme (MCGP), approved by cabinet in March 23. The new programme will be funded through the Neighbourhood Community Infrastructure Levy (NCIL). In year underspend against grants will be put into a reserve.

<u>Legal, Monitoring Officer, Democratic and Electoral Services – £0.1m underspend</u>
Democratic Services projecting an underspend due to the current Members Allowance pay scale of £0.08m. This underspend is net of the Invest to Save growth of £0.04m that has been secured for 2023-24 to meet staffing pressures. Legal Services are projecting on budget as they currently have plans in place; to convert agency into fixed term contracts, rationalise service provision and review billable hours and recharges. There is an element of risk surrounding the recharge of court expenses and fees to the recipient departments and the contribution to the Legal service from the THH rechargeable SLA while charges are calculated and agreed. The Electoral Services are projecting an underspend of £0.03m which will be used to meet £0.04m. savings target already committed for 2024-25.

<u>Corporate Management – Forecast Breakeven</u>
Budget is on track to break even.

Mayor's Office – £0.15m overspend.

Forecast position is an estimated overspend of £0.15m. This is due to consultancy service provided to support various managerial issues.

Health and Adult Social Care

Forecast overspend of £2.1m

Public Health (GF) forecast £0.9m overspend before the transfer from reserve

Service	2023/24 Net expenditure budget £m	Actuals £m	Forecast Outturn £m	Gross over / (under) spend £m	Transfer to / (from) reserves £m	Forecast over/(under) spend £m
	A		B	C = B - A	D	= C + D
Adult Social Care	115.9	59.7	122.1	6.2	(4.0)	**2.2**
Integrated Commissioning	15.2	4.4	18.2	3.0	(3.1)	**(0.1)**
Public Health	37.7	17.8	38.6	0.9	(0.9)	**0.0**
Total	**168.8**	**81.9**	**178.9**	**10.1**	**(8.0)**	**2.1**

The Health and Adult Social Care Directorate's projected outturn at Period 6 is a £2.1m forecast overspend position against a budget of £168.8m, after planned transfers from reserves of £8.0m. This is an decrease on the Period 3 outturn forecast position by £1.2m. The primary reason for the continued forecast overspend is the ongoing pressure in Adult Social Care, with increased costs of care packages for disabled and older people provided under the Council's Care Act 2014 statutory duties. The full pressure is partly offset by additional, but short-term, grant funding. Robust arrangements for scrutinising care and support plans with associated costs are in place within the Department including tiered sign off of packages and a Panel process.

Overall demographic trends impact on 'demand' for Adult Social Care Services – we have seen around 27% more enquiries come into the service over the last two years. Tower Hamlets has the 5th highest score for deprivation within London and the highest level of pensioner poverty in the country. In the 2021 Census, nearly half of females and two fifths of males aged over 65 reported they were disabled. The prevalence of mental health problems in Tower Hamlets is greater than is seen in London or England averages. Short-term government grant funding is an ongoing concern nationally as well as the impact of changes to the hospital discharge process and NHS pressures which have added to funding pressures for Adult Social Care.

The Adult Social Care Transformation and Improvement Programme has been put in place to reduce costs in the medium to long-term and achieve a more sustainable financial position for the service. Business cases for technology enabled care and increasing housing with support options will come through in the new year but will not impact significantly on this year's position.

The Directorate is on track to deliver its savings in full in 2023-24.

<u>Transfers to and (from) Reserves (£8.0m)</u>

Use of reserves relates largely to partnership funding held in pooled budgets and ringfenced reserves for use across health and social care.

- Costs of care provision for clients discharged from hospital for the first 4 weeks following discharge, and community equipment issued to clients on discharge, are included in the financial pressures outlined above for this financial year. Funding remaining in the agreed s75 pooled funding held in reserves amount to £1.28m. In addition to the use of the Local Authority allocation of the Adult Social Care Discharge Fund in 2023-24 in the amount of £2.4m and the Integrated Care Board (ICB) allocation of £927k (being fully utilised on meeting costs for the Royal London Hospital Integrated Discharge Hub), projected costs of discharges amount to £4.6m. Therefore, it is now projected that all the funding held in the reserve will be utilised in 2023-24.
- The ring-fenced Tower Hamlets Place Investment Fund has a joint pool of £6.0m funding and at period 6 it is anticipated that £2.0m will be drawn down for joint project funding during 2023-24.
- In agreement with the ICB, underspends against the Joint Funded Better Care Fund (BCF) for the Local Incentive Scheme Projects and Community Equipment Service that were transferred to Reserves are fully committed in 2023-24 in the amount of £1.17m.
- A £1.5m inflation pressure exists on top of inflation budgets already allocated on top of existing Market Sustainability and Improvement Grant funding and this is to be funded via the Social Care Risk Reserve.
- A further £1.2m is being transferred from the Covid grants reserve for current care package costs relating to historic D2A packages.
- At the end of 2022-23, the amount held in the Public Health Grant ring-fenced reserve was £7.16m. Committed expenditure during 2023-24 from the reserve stands at £0.87m, including expenditure on the Healthy Borough and Community First Programmes, funding on partnership posts and additional funding allocated to Children and Culture Directorate. Currently the reserve balance at the end of this financial year is projected at £6.29m.

Adult Social Care – Forecast £2.2m overspend at Period 6

At Period 6 Adult Social Care is forecasting an overspend position of £2.2m against a budget of £115.9m. This is an increase of £0.08m on the period 3 projected outturn position for Adult Social Care.

The outturn position for 2022-23 for Adult Social Care was an overspend position of £2.2m against a budget of £108.9m. This overspend was after £4.4m was transferred from the s75 reserves funding held for costs associated with discharged clients and £2.2m from the ASC Discharge Grant.

(i) **Employee Costs – Forecast (£0.5m) underspend**

The Period 6 forecast for employee costs is a £0.5m underspend position against a budget of £22.8m, primarily due to vacancies that exist while posts are being recruitment to on a permanent basis. There has been deliberate action to reduce agency costs, where possible, and there are some remaining hard to fill vacancies .

(ii) Care Package Costs and other Service Costs – Forecast £6.7m overspend

Direct costs associated with care packages are projected to overspend by £4.7m at Period 6 against a budget of £109.9m.

Care and Support Plan Assurance Meetings (CSPAM) data clearly demonstrates the increasing needs and complexities of clients, with additional packages being required to meet growing demand. Data from the 1st of April 2023 to the end of September 2023 shows that the Panel process has approved 636 packages of care with increasing needs, representing a further £5.6m full-year cost. Against this, 176 cases assessed to date, resulted in a reduction or cessation in care package, amounting to a £2.1m reduction in full-year costs. 155 packages assessed resulted in no change in the level of care provided. The impact of these changes to date is a net increase of £3.5m (967 total packages reviewed).

The total allocated demographic growth (for new packages) for 2023-24 is £4.0m. For quarter 1 in 2023-24 a total of £1.1m demographic growth funding had been utilised, with quarter 2 figures currently being finalised. It is projected that the cost of new packages of care in this financial year may be over the amount of £4m funding received, but this has not been projected for currently without further analysis.

A £4.4m inflation budget has been allocated on top of existing Market Sustainability and Improvement Grant funding of £2.2m which has been used to pay for the inflationary uplifts to care providers – these are a significant pressure facing all local authorities. A further £1.5m inflation pressure still exists on top of this and is included in the outturn projection and this is to be funded via the Social Care Risk Reserve.

Other Service Costs are in relation to a provision for bad debts and other supplies and services costs relating to Adult Social Service clients, including client transport costs using taxi services. These are projected to overspend by £2.0m at period 6 against a budget of £0.94m. A pressure of £400k relates to increased costs of client taxi costs due to fuel and ULEZ price pressures increasing the cost of client travel costs (that are not provided via the internal Transport Services Unit). The provision for bad debts (i.e., irrecoverable income against historic invoices raised for residential and non-residential income, has been estimated as £1.4m and will be finalised as part of the closing of accounts processes. and may therefore be reduced.

(iii) Income – Forecast £2.8m over achievement of income over budget

Income budgets are projecting an additional £2.8m in income in Period 6. This is due to the projected additional client contribution income that will be recovered in this financial year from the work being carried out by the ASC Debt Panel. This has assisted with the recovery of historic income from clients by approval of debt action and will aim to reduce the need for writing off debts.

Integrated Commissioning – Forecast (£0.1m) underspend at Period 6

Integrated Commissioning is forecast to underspend by £0.1m at Period 6, against a revised budget of £15.2m. This is small reduction on the Period 3 projected outturn position by £0.02m.

The outturn position for 2022-23 was an underspend of £2.1m against a budget of £16.6m. primarily due to additional draw-down of TH Place Investment Funding from reserves.

The decommissioning of the Dellow Centre and renegotiation for the Riverside hostel will provide an underspend against the allocated budget.

An area of substantial risk in Integrated Commissioning is the Transport Services Unit (TSU) recharge, which has a budget of £2.0m for 2023-24. Currently estimates of the costs that will be recharged from the Communities directorate are projected as £2.9m due to current pressures for fuel and ULEZ charges and increased costs of college routes.

Public Health – Forecast Breakeven

The Public Health Grant continues to forecast on budget at month 6.

At the end of 2022-23, the amount held in the Public Health Grant ring-fenced reserve was £7.16m. Committed expenditure during 2023-24 from the reserve stands at £0.87m, including expenditure on the Healthy Borough and Community First Programmes, funding on partnership posts and additional funding allocated to Children and Culture Directorate. Currently the reserve balance at the end of this financial year is projected at £6.29m.

Sexual Health Services

As a demand-led service, sexual health remains the main risk to the Public Health budget. However, the risk is managed through contract and financial monitoring, and the maintaining of a reserve to address any pressure in this area. Expenditure in the amount of £1.0m has been retained within the Public Health Grant budget to meet demand increases.

Service	2023/24 Net expenditure budget £m	Actuals £m	Forecast Outturn £m	Gross over / (under) spend £m	Transfer to / (from) reserves £m	Forecast over/(under) spend £m
	A		B	C = B - A	D	= C + D
Property & Major Programmes	17.2	3.9	17.9	0.7	(0.2)	**0.5**
Resources	4.0	1.9	4.7	0.7	(0.7)	**0.0**
Growth & Economic Development	2.5	7.6	4.9	2.4	(2.3)	**0.1**
Planning & Building Control	2.3	2.3	2.8	0.5	(0.4)	**0.1**
Housing	15.0	19.2	20.6	5.6	(2.5)	**3.1**
Total	**41.0**	**34.9**	**50.9**	**9.9**	**(6.1)**	**3.8**

Draft Outturn Position

The Housing & Regeneration Directorate is forecasting outturn position with an adverse variance of £3.8m after reserve adjustments. The main adverse variance relates to the Housing Options service where demand for homelessness continues to be high, resulting in the use of expensive nightly booked accommodation. The council's new structure was introduced in August 2023, and this represents the first quarterly budget monitor report for the new Housing & Regeneration directorate.

The Directorate is proposing a number of reserve drawdowns and top ups which are planned as part of its business-as-usual activities. These adjustments net to a £6.1m drawdown from specific earmarked reserves. This reserve figures includes £0.7m from the Mayoral Tackling Poverty reserve to fund the team; £2.6m contribution from the Flexible Homelessness Support grant and Homelessness Prevention Grant reserves to fund the homelessness transformation programme and to mitigate cost pressures within the Homelessness service; £2m for specific projects across Growth & Economic Development.

The majority of the adverse variances relate to external factors outside of the control of the Directorate, for example challenges resulting from the pandemic and cost of living crisis increasing demand for Housing Options, reduced developer income within Planning & Building Control and assets, primarily school buildings, deemed surplus to requirement transferring to the Directorate without budgetary provision. These unavoidable costs have placed pressure on service delivery or reduced the amount of income collected.

Savings Targets

The Directorate has a £4.8m savings targets in 2023/24, inclusive of slipped savings from the previous financial year. Of these savings it is projected that £2.6m will be delivered, £2.1m of these savings slipping into the next financial year but remain deliverable and the remaining £0.1m is undeliverable. The slippage is primarily within the Housing Options service where the demand for services has increased and the drop in those in Temporary Accommodation has not materialised, The service has had a base budget reduction of £2m in last MTFS but the resulting drop in accommodation requirements (which is where the savings were meant to come from) has not materialised due to market forces beyond the control of the council.

<u>Property & Major Programmes – Forecast £0.5m Adverse Variance</u>

The Property & Major Programmes division is forecasting to outturn with a £0.4m adverse variance after reserve adjustments. This represents an adverse movement of £0.2m from that reported in Q1.

<u>Property & Major Programmes Management – Forecast £0.1m Adverse Variance</u>

Insufficient budget for the DD post as the budget was deleted as part of a previous Chief Executive savings programme but the post remains filled on an interim basis.

<u>Corporate Property – Forecast £0.6m Adverse Variance</u>

Four schools (Cherry Trees, Guardian Angels, Shapla and Bromley Hall) and Mile End playgroup are empty and declared surplus to requirements. Vacant property costs including security, insurance, utilities, rates and general maintenance are being incurred, creating a budget pressure of £0.6m without any financial provision being made as part of the decision-making process when declaring the buildings as surplus.

<u>Capital Delivery – Forecast (£0.1m) Favourable Variance</u>

Favourable variance following a review of the recharge to the HRA and a rebasing of the split of time between the GF and HRA programmes.

<u>Facilities Management – Forecast (£0.4m) Favourable Variance</u>

A £0.4m favourable variance against employee related budgets resulting from vacancies that have not been filled.

<u>Corporate Landlord Model (CLM) – Forecast (£0.1m) Favourable Variance</u>

A £0.2m favourable variance in rent and service charges relating to a refund on the Mulberry Place service charge and the surrender of a lease on a leased-in building.

An adverse variance of £0.1m relating to security costs at the New Town Hall. It was initially agreed that Customer Services and Facilities Management would jointly fund two security guards in the new Town Hall. As the IDEA store has not relocated to the Town Hall, the CLM Security budget is being used to pay for both guards.

A nil variance has been forecast for business rates, insurance and energy whilst pending notification of 2023/24 charges.

<u>Non-Operational Investment Estate – Forecast £0.4m Adverse Variance</u>

Void units resulting from capital works at the Montefiore building is resulting in an adverse variance of £0.1m.

A £0.3m adverse variance resulting from shortfall in income received against budget. Future planned lettings of vacant space at Jack Dash House and other properties should reduce the variance in future years.

<u>New Town Hall – Forecast Nil Variance</u>

Projected transitional costs totalling £0.2m relating to the move to the New Town Hall will be met from the New Town Hall reserve. However, the Council is still awaiting notification of its business rates liability and there is limited information on water and electricity charges to date. The position will be monitored over the coming months and the drawdown on the reserve adjusted.

Resources – Forecast Nil Variance
The revenue costs relating to the Regeneration team are projected at £0.9m for the year, with £0.6m funded from LIF and £0.3m costs to be capitalised. There is no general budget and the service is projecting use this funding to meet its costs, resulting in a nil variance.

A £0.2m favourable variance within the Service Design & Improvement team resulting from vacant posts and part-year recruitment to fill vacancies.

Unbudgeted employee costs have resulted in a £0.2m adverse variance within the Place Director cost centre.

Growth & Economic Development – Forecast £0.1m Adverse
Growth & Economic Development is forecasting an adverse variance of £0.1m against budget, this represents an improved position of £0.2m from the position reported at Q1. This projection assumes approved s106 drawdowns totalling £2.5m for core activities and approved projects across the division; A reserve drawdown from the Mayoral Priority reserve (Tackling Poverty) totalling £0.7m to fund the Tackling Poverty team. £0.6m for the Residents Support Scheme and a further £0.9m from earmarked reserves for specific activities and projects, for example the Kickstart programme, 50+ programme, ESF programme and BAME Action Fund.

The cost-of-living crisis is a mayoral priority, and the new administration has approved additional spending of £0.4m for food hubs in year. This additional expenditure will be met from the Mayoral Priority reserve.

The Growth & Economic Development division are forecasting to receive grant funding totalling £11.5m in year. This includes £6m Household Support grant, Holiday Activity Funding of £1.7m, Energy Bill Support scheme funding of £2m, £0.7m SIP funding (LIFT and Inclusive Growth money), £0.3m UKSPF funding and a number of smaller grants across GED totalling £0.8m.

Employment & Skills – Forecast £0.1m Adverse Variance
The ITRES service has moved to be managed through Matrix, this movement means there is an unachievable income target where previously the E&S team would recharge their costs to the service receiving the ITRES agency staff. This income target remains but there is no recharge, resulting in a £0.2m adverse variance. Work is ongoing to mitigate this pressure in the new year. This is being partially offset by vacant posts within the teams.

The E&S service operates a number of externally funded programmes that complement the mainstream service provision and provide additional services that support residents without adding additional pressure on the General Fund, some of these schemes include ESF funded employment support; GLA funded LIFT Digital (tech) Hub; DWP Kickstart programme; DWP Local Supported Employment programme.

Growth – Forecast (£0.2m) Favourable Variance
The Growth service has a favourable variance of £0.2m after reserve drawdowns. There are a number of projects being undertaken within the service, primarily around thriving high streets and creative enterprise zones and grant funding has been received to support this work.

The £0.2m favourable variance relates to vacancies within the Business Growth and High Streets teams.

Tackling Poverty –Forecast Nil Variance
Tackling Poverty has been awarded £6m in household support grant in 2023/24 (there is a further £0.6m relating to the previous year's grant that remains committed but unclaimed through the post office). This grant will be spent on specific activities on top of the team's core work.

There is no general fund budget for the Tackling Poverty team and as a result a drawdown of £0.7m from the Mayor's Priority reserve (Tackling Poverty) is projected be required to meet this cost.

The service has also received £1.7m for the Holiday Activity Fund. This funds two posts to run the HAF scheme as well as funding other running costs, food and activities for children throughout the year. This is forecast to be spent in full.

A total of £2.3m has been received for the Energy Bills Support scheme. Vulnerable residents could apply for £400 grants towards the cost of their energy bills. The scheme supported residents who were ineligible for the £66 per month energy payments awarded last Winter, targeting residents who do not have mains gas, live on boats or live in accommodation where energy bills are included in the rent payments. This scheme has now come to an end. There were a low number of residents in Borough eligible for the Energy Bill Support Scheme when compared with the size of grant awarded. In total 1,200 claims were made for energy support, totalling £305k in grant support. As a result, £2m remained unspent. This amount will need to be repaid to the Department of Business Energy and Industrial Strategy.

Economic Development Management – Forecast £0.2m Adverse Variance
Unbudgeted recharge for works undertaken by the Strategy, Policy & Improvement team.

Planning & Building Control – Forecast £0.1m Adverse Variance
The Planning & Building Control service is forecasting an adverse variance of £0.6m from its general fund activities. This is largely the result of an underachievement of statutory planning fees and local land charge income as a result of a downturn in both developments and the housing market.

This downturn in income was experienced in the previous financial year and is projected to continue in 2023/24. Development has slowed down for a number of reasons, including the state of the economy - the level of inflation and interest rates in particular impacting the housing market. This turbulence in the economy impacts all of Planning & Building Control income streams as the service covers the whole development pipeline. In addition, the proposed amendments to building regulations to require two staircases for residential buildings above 30m (recently announced to be applied to buildings above 18m) has caused a number of schemes to stall and reassess proposals, again reducing the number of applications and start on sites, impacting both Development Management and CIL income.

This position includes the use of s106 funding totalling £0.5m to fund posts and activities within the Infrastructure Planning team and £0.3m to fund specific LIF projects again within Infrastructure Planning.

The Planning & Building Control service also utilises both Mayoral (MCIL) and Tower Hamlets (THCIL) CIL revenue funding. In 2023/24 projections for MCIL (£0.4m) and THCIL (£1.3m) funding total £1.7m. This represents an additional £0.5m against budgeted levels which it is assumed will be applied to revenue activities within the Development Management service, in line with legislation. The impact will reduce the adverse variance to £0.1m. This forecast remains unchanged from that reported in Q1.

Building Control General Fund – Forecast Nil Variance
A growth bid of £0.4m was approved to restructure the existing team and recruit to five additional registered building inspector posts as part of the Council's response to the Building Safety Act introduced following the Grenfell tragedy. This approved growth represents only a part of the cost of the growth

required as for year one the restructure and recruitment would take time, so the budget was based on 6 months cost only. Spend against this growth is currently forecast in line with budget.

Development Management – Forecast Nil Variance

There is no net General Fund budget within Development Management, with the service being entirely income funded. The service has vacant posts resulting in a favourable variance of £0.1m. This is being offset by a budget pressure of currently £0.1m for Consultant's and Counsel fees for the public enquiries that are taking place. A £0.5m shortfall against the planning income target for statutory fees where the volume of planning applications is projected to be less than budgeted levels. Additional CIL administration income totalling £0.5m is forecast to be received in year and will be applied to the development management service in line with legislative requirements which will mitigate the budget pressure.

Digital & Commercial Innovation Team – Forecast (£0.2m) Favourable Variance

This favourable variance is the result of vacancies within the team.

Spatial Data Team – Forecast £0.3m Adverse Variance

A downturn in the property market due to the cost-of-living crisis and high interest rates has resulted in an adverse variance of £0.2m against the Local Land Charge income budget and a further £0.1m adverse variance in income for Street Naming & Numbering.

Strategic Planning – Forecast Nil Variance

The Plan Making team received growth of £0.4m in 2022/23 towards the cost of producing the new local plan. Spend in year is projected at £0.3m, with the balance being transferred to reserves to fund further work on the local plan in the next financial year.

Infrastructure Planning – Forecast Nil Variance

There is budgeted use of CIL revenue funding of £0.8m; £0.3m from LIF and £0.5m s106 income to fund the running costs of the Infrastructure Planning team.

Building Control Trading Account – Forecast Nil Variance

The building control trading account is forecasting to outturn in line with budget. There is a favourable variance of £0.2m with the service carrying a number of vacant posts that are being filled by agency staff whilst a recruitment campaign has been undertaken. This is being offset by an under achievement in income.

Housing – Forecast £3.1m Adverse Variance

The Housing division is forecasting an adverse variance of £3.1m after reserve movements. This represents a favourable movement of £0.7m when compared with Q1. This improved position is the result of an additional proposed reserve drawdown from reserves of £1m to cover the pressures on the service due to increased demand for accommodation assistance.

Housing Options – Forecast £2.7m Adverse Variance

The Housing Options (Homelessness and Rough Sleeping) service is forecasting to outturn with a £2.7m adverse variance against budget after applying grant and reserve drawdowns.

The position below shows that the budget that the service manages and has control over (its core activity), e.g. staffing and accommodation expenditure offset by rental and other income, had a 0.6m favourable variance. This budget is supported by annual government grant totalling £9.3m to arrive at this variance. This is despite £2m being taken off the base budget as part of the MTFS savings for the year.

However, when the HB subsidy loss is added then the budget is in significant deficit. HB subsidy loss is not something the council has control over. It is a government formula for reimbursing the council for any HB spent on temporary accommodation.

This adverse variance has been partially mitigated by use of unbudgeted Homelessness Prevention Top Up Grant and draw down on reserves, leaving an overall variance of £2.7m.

Subjective Analysis	**Variance – Adverse / (Favourable) £m**
Staffing Costs	-
Accommodation Costs	4.5
Bad Debt Provision	1.5
HB Income on Placements	(6.6)
Variance from Core Activity	**(0.6)**
Housing Benefit Subsidy Loss	7.3
Variance before Reserve Drawdowns & Unbudgeted Grant	**6.7**
Homeless Prevention Top Up Grant	(1.5)
Drawdown from Reserves	(2.5)
Variance after Reserve Drawdowns	**2.7**

Homelessness numbers remain high and have risen since the start of the year. Current numbers in Temporary Accommodation are 2,821, this compares with 2,568 households a year ago, an increase of 253. Numbers are rising due to the lifting of the evictions ban that has been in place since the onset of the pandemic resulting in the service experiencing an increase in the numbers of private evictions. There has been a 97% increase in the numbers presenting as homeless due to eviction from private sector rentals. The cost-of-living crisis has increased family exclusions and reduced accessibility of private tenancies.

These high numbers place pressure on the use of expensive nightly booked and bed & breakfast accommodation and the use of commercial hotels at additional cost. There are currently 574 households in B&B accommodation compared with 363 a year ago, an increase of 211. The number of room bookings and the cost of B&B accommodation are rising, putting further pressure on the budget. Rooms are now costing £70-£100 per night with current providers who were charging £35 per night during the pandemic and new providers are charging in excess of £120 per night. The cost of using commercial hotels is higher still, some charging over £200 per night and these rooms are often not fit for purpose with no kitchen facilities. Competition for accommodation with the asylum seeker market and other Local Authorities is further driving up costs. The Council lost 211 family sized properties in Tower Hamlets to other London Boroughs and Central Government from January to March.

A lack of move on options in affordable housing within London is increasing this pressure, particularly for larger properties, making it very difficult for the Council to discharge its duty. The lack of move on options is resulting in the service failing to meet its suitability obligations for the first time since 2016 and not moving claimants from B&B accommodation within the six-week statutory target.

The overall numbers in TA and the cost of the TA has a knock on effect on Housing Benefit subsidy loss. The Council incurs a Housing Benefit Subsidy loss on every placement. Whilst Housing Options can claim up to LHA from Revenues and Benefits for placements in TA, the Council can only claim back in subsidy from the DWP the Housing Benefit costs incurred up to 90% January 2011 LHA rates for those same placements. Rents within Tower Hamlets and neighbouring Boroughs are higher than this rate, resulting in the Housing Benefit payment made to Housing Options being higher than the amount that can be claimed back. £4m of growth was added to the Housing Benefit Subsidy Loss budget in 2021/22 and despite this, there remains an adverse variance of £7.3m against this budget.

The impact of the shortfall in temporary accommodation subsidy is a net charge to the Council's Housing Benefit budget. This was previously accounted for in Housing Benefits (Resources Directorate) but has recently transferred to Housing Options to allow the full cost of the homelessness to the council to be identified. In previous years, the budget pressure was managed by one-off grant, for example Covid grant. This is now unavailable, resulting in a budget pressure against the General Fund.

The extent of the unadjusted increase in Subsidy loss since 2016/17 can be seen in the table below with increase of over 184% over the 7 years.

2016/17	2017/18	2018/19		2019/20	2020/21	2021/22	2022/23
£3,903,546	£4,345,368	£5,131,048		£6,012,341	£7,431,645	£6,890,120	7,206,159

Following discussions with the Director of Finance it has been agreed to forecast a further use of £1m Flexible Homelessness Support grant reserve to reduce the budget pressure in year. After making these adjustments, the Housing Options service is projecting an adverse variance of £2.7m.

These budget pressures are not unique to Tower Hamlets and are being felt across London and the Country as a whole.

How are we mitigating against this?

Reliance on commercial accommodation should reduce over the remainder of the year as the Housing Options service has procured 130 units, in Lewisham, at a cost of £50 per night. These rooms become available in October and families are being moved in now. The owner of the accommodation has similar provision in Limehouse which is currently used by the Home Office but will soon decant. The Housing Options service are in discussions with the owner to secure this. The nightly rate may be slightly higher due to its location.

London wide initiatives including the G15 summit identifying available properties/obsolete buildings.

Locally a Landlord event in the Grocery's Wing on 2nd November, poster campaign on bus shelters and buses, letter to all THH leaseholders is underway to attract more landlords to work with us.

At a service level, service redesign is underway to enable more work to be undertaken upstream to prevent homelessness occurring, bringing homeless people into employment. The speed of transformation is being hampered by the cost-of-living crisis which is increasing demand for the service and the lack of move on options available.

A Housing Away Day with the Mayor conducted a deep dive into homelessness; to understand the budget drivers, future trends, opportunities. It was agreed to review the Placement Policy to procure in more affordable areas.

<u>Ongoing Covid-19 Response</u>

Homelessness and Rough Sleeping are continuing their ongoing Covid-19 response at Luke House. Luke House is B&B accommodation that is being used to house rough sleepers brought from the streets as part of the Government's 'Everyone In' campaign. DLUCH have provided funding for this scheme in 2023/24 with LBTH receiving a total of £890k towards its costs as part of the Rough Sleeping Initiative grant settlement. This grant funding is projected to be spent in full during the year providing accommodation and support services at Luke House.

Lettings – Forecast £0.5m Adverse Variance
Adverse variance of £0.5m resulting from a reduction of the choice-based letting service recharge to the HRA. The evidence based revised recharge is based on the number of lets to Council owned property, rather than a historic charge against which the budget was set. This has resulted in the general fund needing incur more of this cost rather than the HRA. A growth bid to recover the income shortfall has been submitted. It was noted that when THH came back in house a check on the verification process will be completed to confirm if the recharge is correct.

Energy & Sustainability – Forecast (£0.2m) Favourable Variance
The £0.2m favourable variance relates to additional commissioning income from the energy suppliers contracted to the Council. The commission is based on the unit price of energy and recent increases in the unit price of gas and electricity has increased the commissioning income received.

A £0.1m adverse variance relating to the Barkentine PFI scheme will be mitigated through a drawdown from the smoothing reserve, resulting in nil variance. There is currently a balance of £1m in this reserve and is therefore sufficient to cover this cost. A further £0.4m is projected to be spent in securing the future of the provision once it expires. It is assumed that this will also be met from this balance on the smoothing reserve and work is ongoing with DLUHC to ascertain if there will be additional future costs.

A total of £0.1m of additional works on net zero projects will be undertaken in year and funded from s106 contributions from the carbon offset fund.

Housing Supply – Forecast £0.1m Adverse Variance
An under recovery of Compulsory Purchase Order (CPO) income with forecast numbers of CPO's being lower than those built into the budget.

The fire safety team received approved growth of £0.7m, delays to recruitment mean that projected spend will total £0.5m, with the balance transferring to reserve to fund the ongoing statutory work in the next financial year. The service has also received grant funding of £0.5m relating to cladding remediation. At present enforcement of building owners has not commenced and the grant is forecast to remain unspent in year and will be transferred to reserves.

Forecast overspend of £2.3m

Service	2023/24 Net expenditure budget £m	Actuals £m	Forecast Outturn £m	Gross over / (under) spend £m	Transfer to / (from) reserves £m	Forecast over/(under) spend £m
	A		B	C = B - A	D	= C + D
Communities Directorate Management	-	-	0.1	0.1	-	0.1
Public Realm	34.4	14.9	38.3	3.9	(0.7)	3.2
Community Safety	10.2	3.8	7.6	(2.6)	1.3	(1.3)
Culture	4.4	0.3	4.5	0.1	0.2	0.3
Total	**49.0**	**19.0**	**50.5**	**1.5**	**0.8**	**2.3**

The Communities directorate is forecasting an adverse variance of £2.3m against a budget of £49m. The main reason for the adverse variance is the baseline budget for waste and cleansing which is currently being reviewed as part of an improvement plan for the service. The SEN Transport service is also undergoing a review to address the increase in costs and change in demands. The Communities Directorate, which was formed in August 2023, and comprises of three main divisions –Public Realm, Community Safety and Culture which were previously reported in other directorates. This report is the first quarterly budget monitor report.

Communities Directorate Management - £0.1m Adverse Variance

A £0.1m adverse variance relating to the costs of the Corporate Director. There is no budgetary provision for this post as it relates to an in-year restructure undertaken by the Chief Executive.

Public Realm – £3.2m Adverse Variance

Public Realm is forecasting an adverse variance of £3.0m against budget. This figure is inclusive of a proposed reserve movements netting to a £0.8m drawdown.

Public Realm Management – (£0.2m) Favourable Variance

Favourable variance resulting from underspend on employee related expenditure.

Highways and Traffic Management – £0.1m Adverse Variance

A £0.1m favourable variance relating to insurance costs resulting from a reduction in numbers of claims and repudiation of existing claims.

Capitalisation shortfall projected at £1.1m is being offset by a corresponding underspend of £0.9m on salaries resulting from posts being held vacant.

A budget shortfall of £0.6m relating to sunk costs that cannot be capitalised resulting from the TFL capital programme not progressing. TFL are withholding funding in the current year following uncertainty around the capital programme.

Balances relating to historic temporary structure income and s278 rechargeable works totalling £0.6m are forecast to be drawn down to revenue. This relates to unclaimed amounts of over six years old. This balance is planned to be used to mitigate the pressures detailed above in Highways & Traffic Management.

A £1.4m contribution towards the cost of Highways and Traffic Management from the Parking surplus (drawdown from the Parking Control reserve). This drawdown is budgeted, resulting in a nil variance.

Operational Services – Forecast (£0.1m) Favourable
Favourable variance of £0.2m from unbudgeted income relating to the sale of recyclable materials.

Vacant posts within the Green Team and Arboriculture service resulting in a £0.1m favourable variance. This is being offset by A £0.1m adverse variance relating to increased costs of running plant and machinery, including fuel costs.

A £0.1m adverse variance relating to demographic growth and customer behaviour post pandemic which is generating more household waste. An assumption has been made that the indexation uplift on the waste disposal contract will be met corporately.

Waste Operations (Environmental Services) – £3.2m Adverse Variance
A favourable variance of £0.1m relating to third party expenditure resulting from reduced cleaning of Blackwall tunnel. TFL has not instructed for this work to take place post pandemic.

Cleaning related to the late-night economy is forecast to generate additional income of £0.1m.

A favourable variance of £1.9m against salaries and overtime relating to vacant posts. This is being offset by additional costs of £3.8m. The main reason for this variance in agency expenditure is due to the oversight at the point of transferring staff from Veolia to Tower Hamlets in March 2020. The contract with Veolia had several variations, with Veolia increasing staff numbers by employing agency staff due to ease of terminating assignments. When the service was transferred to Tower Hamlets, only full-time employees were considered as part of the TUPE transfer, but operationally all staff, including agency workers were being utilised for service delivery without any pause. This has put pressure on the budget to cover for additional services for example extra routes due to greater footfall in the parks post covid, to cover sickness and additional public holidays. This resulted in an adverse variance for employee related costs of £1.9m. There are currently 43 vacant posts within the service and in excess of 100 agency staff being employed. A recruitment campaign is planned to fill the vacancies and reduce the reliance on overtime and agency staff.

A £0.3m favourable variance relating to payroll deductions resulting from the waste operative strike.

Supplies and services budgets are forecasting a £0.1m adverse variance due to higher than budgeted uniform costs due to high staff turnover and use of agency staff.

Unachievable income target of £0.1m relating to charging for household bulky waste collections. This income target formed part of a historic greater commercialisation saving allocated to Place in 2021/22. The charge either needs to be introduced in the current year or the saving written off as bulky waste collections remain a non-chargeable service.

Additional vehicle repairs and increased costs for scheduled maintenance due to contract prices increases is resulting in a forecast adverse variance of £1.4m. A further £0.2m adverse variance relating to fuel costs.

There are a number of mitigating actions that are being undertaken to manage this ongoing cost pressure. These include targeting illegal waste through increased enforcement activity; improve the commercial waste offer and increasing market share (whilst also targeting over production of waste by existing commercial waste customers through targeted enforcement activity to drive compliance and increase sales); reducing contamination through identification of hotspots followed by targeted communication (education/advice/enforcement); targeting rogue landlords through policy change/interventions; workforce recruitment of permanent staff to replace temporary staff and reduce overtime; and route optimisation and increased staff training to reduce vehicle damage / insurance claims.

Commercial Waste - £0.4m Adverse Variance
There is an under recovery of income totalling £0.4m for commercial waste. The service has lost customers during the pandemic. The service is currently recruiting a commercial waste manager who will be tasked with increasing the customer base.

Fleet & Passenger Transport Service – Nil Variance
The majority of fleet costs are recharged to other services. There has been a significant increase in these costs, in particular fuel, repairs & maintenance which have been passed on to other Directorates where the pressure is being reported. For passenger transport this includes extra staff and vehicle costs. The impact of these increases are reported elsewhere by the relevant services.

Concessionary Fares – (£1m) Favourable Variance
Although the cost of journeys has increased, Concessionary Fares is projecting a favourable variance for Freedom Passes as a result of fewer TFL journeys being undertaken during the pandemic. The current years calculation is based on the previous two year's average journeys where travel was restricted due to lockdown. This is a one-off saving and although budget was taken, the final settlement was lower than estimated.

Although there is a favourable variance in year, projections for future years are forecasting significant adverse variances (£1.7m in 2024/25 and a further £0.4m in 2025/26).

Parking services – Forecast Nil Variance
Parking services has a favourable variance of £1.2m against budget. This amount will be transferred to the Parking Control reserve and reallocated to fund other highways and transport related services and school crossing patrols.

The Enforcement service (PCN related income) has exceeded budgeted levels because of moving traffic cameras, which includes school street cameras. These cameras reduce the overall environmental impact along these roads and increase road user safety and wellbeing. This has resulted in an increase in tickets issued across the Borough, with forecasted additional income of £1.5m.

However, this is being offset by pressures on the Parking debt budget where there is an under recovery against the income target of £1.6m. This target relates to aged debt cases where the central debt collection team are falling short of the targeted debt recovery levels as some have been deemed irrecoverable.

Vacant posts across the Parking service is resulting in a favourable variance of £0.2m. Staff retention is challenging and when vacant these posts are difficult to fill.

Bay suspension income is over-recovering by £0.4m with demand for the service continuing to be high.

Casual parking income is projected to exceed budget by £0.7m with demand being higher than that budgeted.

School Crossing Patrol – Forecast Nil Variance
Employee related expenditure of £0.1m to be funded from the Parking reserve.

Environmental & Regulatory services – Forecast £0.4m Adverse Variance
A favourable variance of £0.1m relating to additional mandatory HMO licensing income and private sector enforcement on THH estates.

Unbudgeted contract costs relating to the Coroner's, Undertaker and Pathology services are forecasting to result in a £0.3m adverse variance.

There is an ongoing court case with legal costs of £0.1m forecast in year. These costs will be met from the Proceeds of Crime reserve.

Selective Landlord licensing is forecasting an adverse variance of £0.2m where there is no reserve to offset the costs incurred providing the service. The license fees are paid in advance and cover a three-year period, the license fee covering the costs incurred administering the scheme over the life of the license period. This represents an accounting error where the reserve was taken several years ago and not the result of service provision.

Expenditure totalling £0.4m has been incurred to fund the additional HMO licensing scheme. These costs will be met from the Additional HMO licensing reserve, resulting in a nil variance.

Late night levy expenditure of £0.2m to be funded from the Late-Night Levy reserve.

Street Trading – Forecast £0.4m Adverse Variance
The Street Trading account is a ringfenced account and is forecasting a £0.4m adverse variance. This relates to cleansing and refuse collection recharges from waste services. The service requirement and the recharge will be reviewed.

Community Safety – Forecast (£1.3m) Underspend at Period 6
Community Safety is projected to underspend by £1.3m at Period 6 against a budget of £10.2m. This represents a £0.5m increase in the reported projected underspend position from period 3.

The outturn position for 2022-23 was an underspend of £0.29m against a budget of £6.5m.

The Division has significant growth investment in 2023-24 for recruitment of additional Tower Hamlets Enforcement Officers (THEOs), and for investment in additional Metropolitan Police Officers for the Borough.

A robust campaign and a dedicated recruitment and selection process has been undertaken to ensure the additional officers are recruited to the Tower Hamlets Enforcement Officer Service. Due to the number of THEOs required, and to ensure the best outcomes, the recruitment and selection process has been undertaken using a phased approach and a dedicated campaign. Tranche 1 of this recruitment process concluded in June. The tranche of new staff selected are being "on boarded" in line with the Council's recruitment and selection policy. The recruitment and selection processes are still ongoing. The current projected underspend of £1.3m against this Mayoral Priority growth is currently shown in the outturn position and transferred to reserves (Mayors Priority Investment).

The Metropolitan Police have advised that they are unable to provide additional funded police officers this year due to London wide recruitment issues facing the Metropolitan Police Service and the need to prioritise the strongest ever neighbourhoods in line with their new vision for policing London and responding to findings of the Baroness Louise Casey review. Discussions are ongoing with the local Met Police Basic Command Unit to seek to mitigate th.is situation. Further proposals have been developed on the use of this growth funding by delivering a new Crime Reduction Target Operating Model and setting up a Mayors Anti-Crime Taskforce to deliver this. This is subject to Mayoral approval. If approved this has a critical interdependency with the use of the current £1.3m underspend against the growth that is being reflected in the period 6 position.

Culture – Forecast £0.3m Adverse Variance

Culture is currently projected to overspend by £0.3m as at Period 6 against a budget of £4.4m.

The outturn position for 2022-23 was an underspend of £43k against a budget of £3.1m.

The overall budget pressure is broadly £666k as a result of unavoidable costs:

- (E42) Sports & Physical Activities costs of £310k which relates to the Unitary Charge Payment to Folera for the Poplar Baths development regarding Third-Party Payments to contractors. The charge rises in line with inflation annually and the uplift applied in 2023-24 was significantly more than the budget allocation allowed for at the time of formal setting the budget.
- SPA is projecting an overspend of £510k based on several uncontrollable budget pressures. These include indexation on the Poplar Baths contract, unachievable leisure centre income and unfunded sports projects requested by the Mayor’s Office, such as the London Youth Games and School Sport Offer.
- Budget Pressure as follows:
- Inflation (RPI +1% on Poplar Baths Contract) – Circa £310k (uncontrollable)
- Inflation on Poplar Baths maintenance Budget - £6,050 (uncontrollable)
- Non-Achievable income on Leisure Contract - £125k (uncontrollable)
- Unfunded Sports projects – Currently circa £75k (London Youth Games 2024, school sport, women & Girls etc.) – ongoing annual budget pressure but future years mitigated via upcoming restructure.
- This assumes that restructure redundancy / severance costs (£85k) will be paid for corporately,
- (E46) Arts Parks & Events £220k is the additional market cost of utilities.
- Currently showing a budget pressure of £261k. This will be partially offset via corporate subsidy against the utility costs (£115,000) leaving an estimated pressure of £146,000.
- The reason we are over, is as follows:
- Utility costs - higher than budget (hopefully offset as per above)
- Salary costs – our baseline budget doesn’t take into consideration salary cost increases
- Income target of £1.58 not achieved via Park Events due to negotiated reduction in fee as part of COVID-19 contract realignment
- Also we normally have a larger surplus income from filming and although we will meet the target we do not think there will be a significant surplus due to industry action leading to a downturn in activity

The above assumptions coupled with a corporate contribution from the Unallocated Inflation Allocation of £530k to off-set the payments to contractors and the Unitary Charge will result in a forecasted overspend of £337k. (Steps will be taken to mitigate this balance, however it may not be possible to offset this amount completely.)

Service	2023/24 Net expenditure budget £m	Actuals £m	Forecast Outturn £m	Gross over / (under) spend £m	Transfer to / (from) reserves £m	Forecast over/(under) spend £m
	A		B	C = B - A	D	= C + D
Corporate Costs	36.5	13.1	34.9	(1.6)	(2.7)	**(4.3)**
Total	**36.5**	**13.1**	**34.9**	**(1.6)**	**(2.7)**	**(4.3)**

A forecast underspend of £4.3m for Corporate Costs is reported for this period.

Pay inflation budget held centrally – £3.8m overspend
A pay provision of 4% was provided for pay inflation. The latest negotiations suggested that a 6% pay award is likely and therefore will exceed the provision by £3.8m. Following period 6 the pay award was agreed and the actual impact is being calculated and will be reported in the next budget monitoring update.

Non-pay inflation budget held centrally – £1.2m underspend
A corporate provision of £16.6m for non-pay inflation was budgeted. We have now assessed the impact of contract inflation across the Council which has identified a saving of £1.2m. There remains a risk that the provision for energy price increases will not be sufficient, and this is being quantified.

Cross-Directorate Savings – £1.1m overspend
There are two savings that haven't been allocated to a service.

1. Council wide efficiencies £0.8m - This relates to staffing savings including the deletion of vacant posts and reducing agency. The saving has been superseded by the new savings programme and governance structure with savings to come forward through this route.
2. Hybrid mail £0.3m – The saving was based on reduced costs through the use of hybrid mail. However, actual expenditure hasn't reduced sufficiently to realise the saving.

Redundancy, Severance and Early Retirement – breakeven
An allowance of £2.5m is included in the budget for redundancy costs. This is to allow additional capacity for the Council to fund transformation. Due to the voluntary redundancies, it is anticipated it will be fully utilised this year. Any underspend will be transferred to reserves to provide funding for future years.

Pension Fund deficit repayment – £1.0m underspend
Forecast underspend against the budget allowed of £12.8m for the payment to the Pension Fund to meet the deficit estimated by the actuary.

Corporate contingency budget to cover unforeseen circumstances – £1.0m underspend
There is £3.1m included in the budget to cover unforeseen circumstances. Following allocations for VAT payments (£1.0m), refuse strike action (£0.4m), other smaller amounts (£0.1m), an amount of £1m is being released from contingency at this time to support the overall budget position.

Treasury Management – forecast £1.1m underspend

An underspend of £1.1m is forecast on borrowing costs and Minimum Revenue Provision due to slippage in the capital programme as well as higher investment returns.

Corporate income and expenditure – forecast £4.9m Underspend

Forecast overachievement of income of £2.2m against corporate income target attributable to the receipt of £2.2m from the London mayor in respect of Free Healthy School Meals.

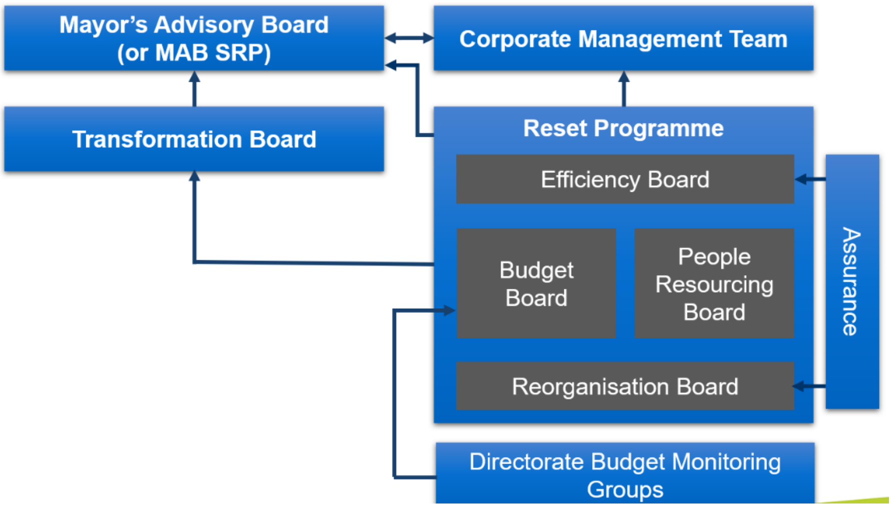
Following final confirmation of the 2021/22 business rates pooling position the £2.7m held in relation to this can now be released from reserves.

Actions to Address the Forecast Overspend

As reported in Quarter 1, the Council is undergoing a transformation programme to make sure we are achieving the council's agreed priorities, Mayor's ambitions for the borough and the objectives set out in the Strategic Plan in a more efficient and financially sustainable manner with evidence the programme is embedding into the organisation through the improved overall forecast General Fund outturn position reported from quarter 1 to 2 (decrease in forecast overspend by £2.5m).

Boards have been set up to drive the transformation and achieve those efficiencies detailed in our Medium-Term Financial Plan (MTFP). These boards have been set up to bring much more rigour to the financial management process, in part based on the annual underachievement of savings targets over a number of years and will help to reorganise and restructure the council and are subject to on-going quarterly review to ensure they are working as effectively as possible.

The diagram below shows how these new governance arrangements for the transformation of the Council operate:



A key element of these arrangements is the Budget Board, which is chaired by the Section 151 Officer and leads on approving budget efficiencies, including saving targets, budget growth requests and in-year variances.

In addition, the Council is also reviewing its Target Operating Model to guide the organisations evolution towards one that places more emphasis upon the needs and aspirations of the people of our Borough and the users of our services.

Directorates have been issued with additional savings targets to achieve and proposals will progress through the new governance framework to ensure they are deliverable, and all potential savings are identified. Savings that can be taken in year will be identified as part of this process.

A corporate savings target has also been set for the Corporate Restructure Initiative. There are three drivers that necessitate a review of the departmental structures for the Council's services. These are: -

- To ensure staff resource is better aligned to the Council's priorities
- To ensure that the services we offer are as efficient and customer focused as they can be
- To provide an accelerated contribution to the delivery of £40m of realisable recurring savings required over the coming medium term to secure a financially sustainable position in line with our financial strategy

Service	Budget £m	Actual YTD £m	Year End Forecast £m	Forecast over/(under) spend £m
Housing Revenue Accounts (HRA)	(1.1)	(37.1)	(2.2)	**(1.1)**
Total	**(1.1)**	**(37.1)**	**(2.2)**	**(1.1)**

The Housing Revenue Account has an outturn position with a favourable variance of £1.1m when compared with budget. The underspend results from favourable variances within the technical adjustments with depreciation costs being lower than budgeted and the Item 8 credit forecasting significant additional income resulting from higher interest rates. There are a number of favourable and adverse variances that make up the final outturn position:

Delegated Budgets – £1.4m Adverse Variance

The Delegated budgets cover income and expenditure where LBTH retain ownership of the budgets but delegate management responsibility to THH. The net Delegated budgets for 2023/24 is an income of £64.8m. There is an adverse variance of £2.2m against these budgets.

Income – (£0.5m) Favourable Variance

A £2.5m favourable variance relating to leaseholder service charges. Income is projected to exceed budgeted levels due to an increase in the cost of energy and building insurance, with this additional charge being passed on to Leaseholders. Although the budget was inflated, recent price increases have exceeded the level of inflation applied.

A £0.9m adverse variance in rental income due to properties being held void. A total of 200 properties are being held as void. Of these, 99 properties are held void for respite / decant purposes from Maltings & Brewster (structural works being undertaken) and Bentworth House (following an explosion). Rents are not charged to the decanted tenants on these properties. A further 48 properties are void on new build sites awaiting occupation, 20 properties are void awaiting disposal, and 1 property is void awaiting knock-through. These are in addition to the normal day to day voids occurring during the year, where there are 32 properties currently void.

A £0.8m adverse variance relating to tenant service charge income resulting from the high number of void properties where service charge income is not being collected.

Garage rents have an adverse variance of £0.2m. A total of 87 garages have been decommissioned with the sites being included in the Mayor's new build property programme.

A £0.1m adverse variance relating to the admin fee for major works. Lower than budgeted major works taking place due to leaseholder consultations not progressing and where they have leaseholders declining that major works are required.

Expenditure – £1.9m Adverse Variance

A favourable variance of £0.1m for NNDR costs associated with the non-dwelling properties. This is based on the previous year's outturn position has charges for the new year are yet to be posted.

Work relating to community investment projects was suspended during the pandemic and has been slow ever since resulting in a £0.2m favourable variance.

The repairs & maintenance budget is forecasting a favourable variance of £0.9m. This results from the neighbourhood plan programme of works which is budgeted but no programme of works is in place. New repairs contracts were let in the previous financial year and there have been delays with some works, with contractors unable to sublet works due to increases in labour and material costs. Delays are also being experienced for remedial works where contracts are proving expensive and difficult to let in the current market.

Building insurance is forecasting an adverse variance of £2.2m, bringing the full forecast for this year to £6m. The insurance market is experiencing contraction, as the number of insurers has declined, and premiums are increasing. During the tendering process, the Council received only one proposal, and it was accepted.

A forecast adverse variance of £0.5m relating to additional building and fire risk appraisal of external walls as part of the Council's response to the Fire and Building Safety Acts. Delays in procuring these works in the previous financial year has resulted in a larger programme in year to catch up.

Charges for Dame Collet and Poplar Baths are forecasting an adverse variance of £0.1m which is directly attributable to inflationary increases. Final charges were agreed post April after the budget had been set.

The Concierge service is forecasting an adverse variance of £0.2m with additional security costs (waking watch) at Odette Duval House, Maltings & Brewster and Latham House due to fire safety concerns.

A £0.1m adverse variance relating to service charge payments for leasehold enfranchisements. The HRA budgets for three additional enfranchisements but there has a total of five in year.

Following an explosion at Bentworth Court, the Council has incurred costs totalling £0.5m in addition to those incurred previously of £4.4m. Discussions with the insurance loss adjuster have been positive and it is assumed that this additional cost will be met through insurance, resulting in nil variance.

Management Fee – Nil Variance

A nil variance is projected against the Management Fee. This does however assume a reserve transfer to meet the cost of the pay award once it has been agreed.

Non delegated budgets – £1.1m Adverse Variance

A £0.1m favourable variance relating to shop income. This relates to shop income for Ben Johnson Road which has not been budgeted for in the HRA. These shops previously sat in the General Fund but are HRA dwellings.

The Leaseholder Enfranchisements income has exceeded budget by £0.2m. The number of applications to extend leases is projected to be higher than budgeted.

A £0.4m adverse variance on repairs and maintenance costs relating to non-dwelling properties. This includes additional security costs on void properties, projected business rate charges on empty properties and unbudgeted responsive and programmed repairs.

A £0.3m adverse variance for support service recharges relating to additional recharges from the asset management team as they are undertaking additional HRA related works. The team supporting the HRA include agency staff at higher cost.

An adverse variance of £0.7m against insurance premiums for dwellings with costs rising at a higher percentage than was budgeted. Premiums are expected to increase significantly in year due to reduced competition in the market driving up costs. Actual costs are unknown at present and the forecast is assuming a 40% increase in premiums from the previous year.

The Council are looking to enter into a development agreement to build out some sites which currently sit within the pipeline schemes but cannot be afforded within the HRA capital programme. There will be costs associated with this agreement but at present they are unknown as work to procure a partner developer is in its infancy. Any in-year revenue implications will be reviewed as this work progresses.

Technical Adjustments – (£3.6m) Favourable Variance

A favourable variance of £0.7m against the depreciation charge (this is made up of a £0.8m favourable for HRA dwellings and a £0.1m adverse variance against the HRA non-dwelling properties).

An adverse variance of £0.5m for the Item 8 debit and a favourable variance of £3.4m for the item credit resulting from increased interest rates. Item 8 charges are sensitive to changes in interest rates and will be monitored throughout the year.

The table shows forecast pressures on 2023/24 General Fund and Earmarked Reserves balances and how this might be managed by means of utilising earmarked reserves.

	Draft balances as per 31 March 2023*	Forecast contribution to / (from) Reserve	Forecast balance 31 March 2024
£m	**£m**	**£m**	**£m**
GF balances (general reserve)	**24.2**	(4.2)	**20.0**
	24.2	**(4.2)**	**20.0**
Earmarked reserves consist of:			
Earmarked reserves with restrictions			
BAME	0.8	(0.3)	0.5
CIL Reserve	3.7	(1.0)	2.7
Collection Fund Smoothing**	46.4	(5.4)	41.0
Covid Recovery Fund	1.8	0.0	1.8
Covid-19 Grant	4.1	(1.2)	2.9
Free School Meals Reserve	1.8	(1.8)	0.0
HA&C Joint Funding Agreements	7.3	(3.2)	4.1
Insurance	7.9	(0.3)	7.6
Local Elections earmarked reserve	0.6	0.0	0.6
Parking Control	8.8	(0.3)	8.5
Public Health Reserve	7.2	(0.9)	6.3
Revenue Grants Unused	11.4	(2.8)	8.6
Earmarked reserves with restrictions – Subtotal	**101.6**	**(17.3)**	**84.4**
Earmarked reserves without restrictions			
ICT Reserve	9.3	(2.0)	7.3
Mayor Tackling Poverty Reserve	2.9	(0.7)	2.2
Mayors Priority Investment Reserve***	46.6	(22.5)	24.1
Risk Reserve	15.7	0.0	15.7
Services Reserve	18.4	(3.3)	15.0
Social Care Pressures Reserve***	0.0	3.1	3.1
Transformation Reserve	3.1	(1.0)	2.1
Earmarked reserves without restrictions - Subtotal	**96.0**	**(26.5)**	**69.6**
Total Earmarked Reserves	**197.6**	**(43.7)**	**153.9**
Total GF and Earmarked reserves	**221.8**	**(47.9)**	**173.9**

* latest Draft 31 March 2023 position

**The Collection Fund Smoothing Reserve is restricted in its use as it is solely intended to deal with surpluses and deficits that arise on an annual basis in the collection fund

***The Mayor's Priority Investment reserve is forecast to reduce by £22.5m due to budgeted contributions to fund MTFS (22.1m), budgeted creation of a Social Care Pressures Reserves (£4.6m) as approved by council on 1st March 2023 and forecast in-year contributions to the reserve of £4.2m

HRA, DSG and Capital Usable Reserves

The table shows the 2023/24 forecast outturn position for the Housing Revenue Account, Dedicated Schools Grants and Capital Usable Reserves.

HRA and DSG reserves	Draft balances as per 31 March 2023*	Forecast contribution to / (from) reserves	Forecast balance 31 March 2024
	£m	£m	£m
Housing Revenue Account (HRA)	**36.1**	(9.2)	**26.9**
Dedicated Schools Grant (DSG)	**12.7**	0.0	**12.7**
Capital Grants Unapplied	**191.1**	(31.7)	**159.4**
Capital Receipts Reserve	**148.8**	(0.3)	**148.5**
Major Repairs Reserve (MRR)	**8.1**	(4.6)	**3.5**
Total Other Reserves	**396.8**	(45.8)	**351.0**

* latest Draft 31 March 2023 position

Outside of reserves, the Council holds significant Developer Contributions (S106) to fund Capital Expenditure. These are held as creditors/receipts in advance on the balance sheet as they have to potentially be repaid if not used for a specific purpose. The total latest draft accounts balance as at 31 March 2023 was £94.3m and the total is forecast to be £96.9m at 31 March 2024.

The **Housing Revenue Account (HRA)** is not a separate fund but a ring-fenced account of certain defined transactions, relating to local authority housing, within the General Fund.

The **Dedicated Schools Grant (DSG)** is a ring-fenced specific grant that supports local authorities' Schools budget. Funding is allocated through four funding blocks, the Schools Block, the High Needs Block, the Early Years Block and the Central Schools Services Block.

The **Capital Grants Unapplied** reserve includes grants, S106 monies and Community Infrastructure Levy (CIL) payments received by the council with varying degrees of conditions on spend, which are utilised to fund capital projects and where expenditure is capital by nature and these reserves have been allocated where possible as part of the current 2022-25 General Fund and HRA approved capital programmes.

The **Capital Receipts** reserve includes capital receipts generated by the council (including HRA Right-to-Buy receipts) which are also utilised to fund capital projects and where expenditure is capital by nature and these reserves have also been allocated as part of the current 2022-25 General Fund and HRA approved capital programmes.

NNDR (Business Rates) and Council Tax

7

This section shows the amount of money we have collected from tax payers of the borough, and the split between the amount that is retained and the amounts paid over to central government and the GLA.

NNDR Business Rates

We are expected to collect £404m in 2023-24 for total Business Rates income (30% retained by the Council and 37% passported to the GLA and 33% central government), excluding business rates supplement. Collection levels continue to be impacted by the economic impacts from the cost of living pressures, although collection rates are starting to return to pre-pandemic levels.

There is a provisional (subject to audit) accumulated Business Rates Collection Fund deficit to the end of 2022-23, of which the estimated Council share is £17.0m. The Council is utilising its Collection Fund Smoothing Reserve to align the government grant funding of business rates reliefs with the timing of deficit payments over the three-year period 2021-24.

The accumulated deficit to the end of 2022-23 continues to include a significant loss allowance (bad debt provision) for potential non-payment of debts, of which the Council share is £4.9m, to allow for the ongoing potential impacts of cost of living pressures.

To the end of Period 6, we have collected £242m of £430.4m billed (56.31% in-year collection rate) compared to 59.57% for 2022-23, the slight fall in rate is a result of the award of CARF during July 2022 which inflated collection rates in the short term. This includes collection of the Business Rate Supplement (BRS) for the London Crossrail development.

Council Tax

We are expected to collect £175.7m in 2023-24 (both GLA 27.5% and Council 72.5% shares). Collection levels continue to be impacted by the economic impacts of the cost of living pressures.

There is a provisional (subject to audit) accumulated Council Tax Collection Fund deficit to the end of 2022-23, of which the estimated Council share is £1.2m. There is a loss allowance (bad debt provision) of £13.7m to allow for the potential impacts of cost of living pressures.

The Covid-19 pandemic reduced the collection rate and increased significantly those claiming benefits including through the Local Council Tax Reduction Scheme (LCTRS). The cost of the LCTRS scheme rose from £26.7m in 2019-20 to £31.6m in 2020-21 and has continued to rise to a forecast £32.3m for 2023/24 as at Period 6. The level of claimants has reduced slightly from the increased pandemic level from 29,989 (end of 2021-22) to 28,014 (end of Period 6).

To the end of Period 6 we collected £85.4m of the £177.2m Council Tax bills raised (48.2% in-year collection rate) compared to 47.15% for the same period in 2022-23, which is an improvement on last year but lower than pre-pandemic collection levels. Future years' collection rates could continue to be

negatively affected by wider economic impacts being experienced by residents (including inflationary and market pressures on energy and food costs).
The Council actioned the government's Council Tax support Fund, administering the reductions in bills of £55 to eligible Council Tax payers in time for the annual demand notices.

Overall Position

The nominal value of Council's investment at the end of September 2023 was £265.467m (an increase of £25.795m from June 2023) and a decrease of £1.717m from previous month). Capital loss from strategic and cash pooled funds was £4.835m making the market value of investments as £260.632m.

External borrowing was £68.709m and no new external borrowing took place during the quarter. Council's Q2 investment balance remains higher than the Arlingclose pool of 19 London and Metropolitan Boroughs average investment balance of £94.148m and pool of 125 local authority average of £79.906m.

The 2023-24 budget for investment income is £2m while actual income forecast is £6.92m. This significant increase in forecast has been due to inflation figures being significantly higher than target rates over the last year and Bank of England rate increase used as one of many mechanisms to dampen inflation.

Investment Category	Sept 2023 Nominal Value £m	Sept 2023 Fair Value £m
Internally Managed Investments		
Banks	31.000	31.000
DMADF	104.160	104.160
Money Market Funds	54.307	54.307
Externally Managed Pooled Funds		
Cash Plus & Short Bond Funds	20.000	19.725
Strategic Pooled Funds	56.000	51.440
Total	**265.467**	**260.632**

Income Position

The yield of the internal portfolio at the end of the quarter was 5.19%. This was helped by the 2 Base Rate increases during the quarter thereby reflected on new fixed deposits placed with banks and Debt Management Office during the quarter. The income returns of the entire portfolio, including the Council's external investments during the quarter was 4.9% while total return including impact of externally managed pooled fund losses was 5.14%. (Capital gain on cash plus pooled funds was 2.25% and strategic funds 0.39%).

Benchmarking

According to the September quarter benchmarking information received from Council's treasury advisor, Arlingclose Ltd, average income return of 4.90% slightly underperformed a group of nineteen London and Metropolitan Boroughs (4.94%) average income return) and outperformed against 125 national local authorities (4.79% average income return).

Liquidity
21% of Council's invested cash at the end of the quarter is available within 7 days ensuring adequate cash is available to meet daily expenditure payments. This compared to the average London and Metropolitan Boroughs of 64% and pool of Local Authorities in the Arlingclose pool of 50%.

76% of funds are available within 100 days of maturity compared with a London and Metropolitan Borough average of 85% and local authority average of 70%.

Overnight liquidity at the end of September was £54.307m which is 20.4%% of the internal portfolio. The average days to maturity of the internal portfolio at the end of the quarter was 42 days (68 days June 2023) which continues to be influenced by the deposits with the DMADF, fixed bank deposits and the LA deposits.

Security
The investment average credit rating of AA- represents a secured portfolio compared to the average rating for Arlingclose pool of 19 London and Metropolitan Boroughs of A+ and same as AA- average for pool of 125 local authorities.

The Council's largest unsecured exposure to a single financial institution aside of the Debt Management Account Deposit Facility (DMADF) are with ANZ Banking Group and Development Bank of Singapore (£15m each).

The lowest credit ratings for ANZ Banking Group is A+, while DBS is AA+.
The Council's investment portfolio's bail-in risk decreased by 20% to 29% i.e., the portion that remains susceptible to bank bail-in risk.

Inflation
Core CPI rate eased a little, the latest update from the Office for National Statistics (ONS) puts the Consumer Prices Index (CPI) measure of inflation **at 6.7%** in the year to September 2023, the same rate as in August 2023. Monthly Consumer Price Index (CPI), rose by 0.50% in September 2023, the same rate as in September 2022.

Core CPI (excluding energy, food, alcohol and tobacco) increased by 6.1% in September, also slightly above expectations but down from the previous month. There was an increase in the CPI service rate from 6.8% in August to 6.9% in September.

Slightly higher than expected inflation in September has been attributed to the rising price of motor fuels as well as an increase in rates for hotels. The main downward contribution came from falling food and beverage prices. Services inflation was a concern this month as it, along with core inflation, is a closely watched measure by central banks.

Interest Rate Forecast September 2023

	Current	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sept-26
Official Bank Rate Central Case	5.25	5.25	5.25	5.25	5.00	4.75	4.25	4.00	3.175	3.50	3.25	3.00	3.00
3-month MMF rate Central Case	5.40	5.40	5.40	5.30	5.15	4.80	4.30	4.10	3.80	3.50	3.25	3.05	3.05
5yr gilt yield Central Case	4.38	4.50	4.50	4.40	4.25	4.00	3.75	3.50	3.40	3.30	3.30	3.30	3.35
10yr gilt yield Central Case	4.27	4.40	4.35	4.30	4.25	4.15	4.00	3.80	3.75	3.65	3.60	3.65	3.70
20yr gilt yield Central Case	4.67	4.65	4.60	4.55	4.45	4.35	4.25	4.20	4.20	4.20	4.20	4.20	4.20
50yr gilt yield Central Case	4.25	4.25	4.20	4.15	4.10	4.10	4.10	4.10	4.10	4.10	4.10	4.10	4.10

Borrowing

The Council has Public Works Loan Board (PWLB) loans totalling £51.21m and fixed rate bank loans totalling £17.5m. No external borrowing took place during the quarter because the capital program is temporarily funded using cash reserves there by saving on external borrowing costs in the short term.

Target for year £15.5m

£12.3m savings to be delivered

Services	2023/24 Target (£m)	Prior Year Slippage (£m)	Saving Target (£m)	Forecast Savings (£m)	Slippage (£m)	Under Recovery (£m)
	A	B	C = A + B			
Health and Adult Social Care	2.6	-	2.6	2.6	-	-
Children's Services	2.5	0.1	2.6	2.6	-	-
Housing and Regeneration	4.7	0.3	5.0	2.8	2.1	0.1
Chief Executive's Office	0.3	-	0.3	0.3	-	-
Resources	1.0	0.2	1.2	1.2	-	-
Communities	2.3	-	2.3	2.3		
Cross-Directorate	1.0	0.5	1.5	0.5	-	1.0
Total	**14.4**	**1.1**	**15.5**	**12.3**	**2.1**	**1.1**

Total savings target for 2023/24 is £15.5m which includes previous years' slipped savings. Of which,

- £12.3m is identified as being on track to deliver savings;
- A net position of £2.1m is forecast to slip into future years due to timing issues;
- £1.1m has been identified as unachievable

Please refer to 'Appendix B – Summary MTFS Savings Tracker 2023-26' for a detailed breakdown and latest updates on the savings programme.

General Fund (GF) forecast outturn £101.3m against a revised budget of £145.3m
Forecast Variance £44.0m - net slippage £39.3m, net underspend £4.7m

General Fund (GF) Capital Forecast

Theme	Directorate	Revised Budget £'m	Actual Spent to Date £'m	Current Forecast £'m	Variance Forecast to Budget £'m	Forecast to Revised Budget %	(Slippage) / Acceleration £'m	(Under) / Over spend £'m
Approved Programme	Children Services	50.9	14.3	43.8	(7.1)	86%	(7.1)	0.0
	Communities	32.9	2.6	12.9	(20.0)	39%	(15.1)	(4.9)
	Health & Adult Social Care	6.4	3.6	5.2	(1.2)	82%	(1.2)	0.0
	Housing & Regeneration	24.8	3.4	14.4	(10.4)	58%	(10.4)	0.0
	Resources	1.4	0.0	1.0	(0.4)	66%	(0.4)	0.0
Approved Programme Total		**116.5**	**23.8**	**77.3**	**(39.2)**	**66%**	**(34.4)**	**(4.8)**
Approved Rolling Programme	Children Services	4.0	0.9	3.5	(0.5)	87%	(0.5)	0.0
	Communities	6.3	0.5	6.3	0.0	100%	0.0	0.0
	Health & Adult Social Care	0.3	0.0	0.0	(0.3)	0%	(0.3)	0.0
	Housing & Regeneration	3.2	0.8	3.2	0.0	100%	0.0	0.0
	Resources	2.2	0.0	2.2	(0.0)	100%	0.0	(0.0)
Approved Rolling Programme Total		**16.0**	**2.2**	**15.2**	**(0.8)**	**95%**	**(0.8)**	**0.0**
Invest to Save Programme	Communities	1.4	0.2	0.9	(0.5)	65%	(0.5)	0.0
	Housing & Regeneration	4.1	1.3	1.3	(2.8)	31%	(2.8)	0.0
Invest to Save Programme Total		**5.6**	**1.5**	**2.2**	**(3.3)**	**40%**	(3.3)	**0.0**
LIF Programme	Communities	6.9	(0.0)	6.5	(0.4)	95%	(0.4)	0.0
	Housing & Regeneration	0.3	0.0	0.0	(0.3)	9%	(0.3)	0.0
	Resources	0.0	0.0	0.0	0.0	100%	0.0	0.0
LIF Programme Total		**7.2**	**(0.0)**	**6.5**	**(0.7)**	**90%**	(0.7)	**0.0**
Grand Total		**145.3**	**27.4**	**101.3**	**(44.0)**	**70%**	**(39.3)**	**(4.7)**

Introduction

On 1st March 2023, Full Council approved a total GF capital programme for 2023/24 to 2025/26 totalling £238.6m, of which £122.3m related to the 2023/24 financial year. Subsequently, on 26th July 2023, Cabinet approved £20.8m of net capital slippage from the 2022/23 provisional outturn, resulting in a total revised GF capital programme budget for 2023/24 to 2025/26 of £259.4m, of which £143.4m related to the 2023/24 financial year, with Individual Mayoral Decisions increasing the in-year approved budget to £145.3m.

The General Fund Capital forecast outturn by directorate, setting out the forecast outturn against revised 2023/24 capital budgets for directorates is presented in the above table based on the new council hierarchy structure which took effect in August (Period 5) 2023.

The Period 6/Quarter 2 forecast outturn GF capital expenditure for the year is £101.3m, which represents 70% of the revised 2023/24 capital budget of £145.3m. The forecast variance of £44.0m, is due to expected net slippages of £39.3m and net underspends of £4.7m across the programmes. The total spend to date is £27.4m, which will need to be kept under close review to ensure forecasts are materialising as expected for the year. The details of the programmes are set out below;

Approved Programme

Theme	Directorate	Revised Budget £'m	Actual Spent to Date £'m	Current Forecast £'m	Variance Forecast to Budget £'m	Forecast to Revised Budget %	(Slippage) / Acceleration £'m	(Under) / Over spend £'m
Approved Programme	Children Services	50.9	14.3	43.8	(7.1)	86%	(7.1)	0.0
	Communities	32.9	2.6	12.9	(20.0)	39%	(15.1)	(4.9)
	Health & Adult Social Care	6.4	3.6	5.2	(1.2)	82%	(1.2)	0.0
	Housing & Regeneration	24.8	3.4	14.4	(10.4)	58%	(10.4)	0.0
	Resources	1.4	0.0	1.0	(0.4)	66%	(0.4)	0.0
Approved Programme Total		**116.5**	**23.8**	**77.3**	**(39.2)**	**66%**	**(34.4)**	**(4.8)**

The 2023/24 revised budget for the Approved Programme is £116.5m. The forecast outturn for the Approved Programme is £77.3m (66% of the revised budget) resulting in total forecast variance of £39.2m due to expected net slippages of £34.4m and net underspends of £4.8m across the programme.

Children's Services

The 2023/24 revised budget for the Children Services Approved Programme is £50.9m. The forecast outturn for the programme is £43.8m (86% of the revised budget) resulting in total forecast variance of £7.1m due to expected net slippages of £7.1m across the programme.

The major programme under the Children Services Approved Programme is the Schools Basic Need and Expansion Programme. The total revised budget for this programme is £49.4m for the year, current forecast against revised budget is spend of £43.0m, due to expected net slippages of £6.4m within the year. Within this programme there are several large schemes which are at differing stages of their project life cycles and further details of significant schemes are provided as follows;

The 2023/24 revised capital budget for the London Dock School Expansion programme is £37.0m. The forecast spend is £37.5m due to expected accelerated spend of £0.5m. A draft Works Funding Agreement (WFA) has been received from the Department for Education (DfE) to enable the porting of grant funding totalling (c£54m) – subject to final sign-off by the council and the DfE (which will need to be done simultaneously with the Development Agreement (DA) exchange). Upon sign-off, it is expected the council will receive a sum of c£35m with the remaining grant being made available on monthly instalments in arrears on presentation of invoice evidence from November 2023 through to August 2024. Activities are progressing as planned on site, with the school expected to open in September 2024.

Hermitage Temporary SEND unit with a budget of £2.8m, is forecasting to spend £0.5m and slip £2.3m of the budget into future years. The tender for the project is currently being evaluated with works expected on site to be delayed. Procurement issues have now been resolved and the project timeline has been revised, with forecast spend for the year subsequently updated.

Harpley School Key stage 1&2 Accommodation is slipping its entire £1.1m budget allocation for 2023/24 into future years. This project is funded from ring-fenced High Needs Special Needs grant (SEN). The council is keen that any provision makes best use of its assets hence the project has been paused to allow for a robust masterplan of the provision to be undertaken.

The Arnhem Wharf - Damp Permanent Resolution project budget allocation of £2.9m is forecast to slip almost entirely into future years. The project has been identified in the Department for Education's (DfE) School Rebuilding Programme. This will result in the department picking up the costs for major works planned. It is expected that works on site will commence from April 2025. In the meantime, the Council must ensure the building remains safe and operational. Essential damp works have been carried out in Summer 2023 with ongoing monitoring in place to plan future works. The slipped budgets will be closely reviewed over subsequent years to ensure the council can respond to urgent works in anticipation of the department completing the main works.

The George Green/West Ferry school re-build project with a 2023/24 budget allocation of £0.6m is forecast to spend £0.1m in-year, resulting in slippages of £0.5m of spend into future years. The project has been paused subject to further investigations underway to determine what refurbishment works could be carried out whilst a decision is made on timelines for future redevelopment plans.

The Shapla Refurbishment (temp site for Mulberry London Dock) with £0.7m approved budget is a capital project which though has been approved is still progressing through the council's capital governance process and for Q 6 monitoring purposes, a nil forecast has been made against these projects for 2023/24 as they are not yet live. This will be kept under review throughout the year, and forecasts updated accordingly.

Communities

The 2023/24 revised budget for Communities Directorate is £32.9m. The forecast outturn is £12.9m (39% of the revised budget) resulting in a total forecast variance of £20.0m due to slippages of £15.1m and underspend of £4.9m across the programme.

The Waste, Recycling and Fleet programme budget allocation for the year of £7.6m is forecasting a total variance of £3.4m due to budget slippages of £3.7m into future years and overspend by £0.3m across the projects. The slippage is mainly due to the Electric Waste Vehicles project within the programme. The project is experiencing delays with charging infrastructure and power supply which have a direct impact on the replacement schedule for the electric vehicles. In order to operate electric vehicles charging points need to be installed. Site surveys have been required to confirm if electric power supplies are sufficient to provide enough power at each site. There have been delays in completing these surveys, which in turn has led to delays in starting procurement for electric vehicles. The overspend of £0.3m which is due to high costs is from Interim Depot Strategy project with a budget of £0.5m.

The New Infrastructure Programme with a budget of £3.6m is forecast to slip by £1.4m into future years. The originally capital works to the northern footway on Whitechapel Road were programmed for 2023/24. However, this will now likely go ahead in 2024/25, with design development continuing this financial year, hence the expected slippage for the year.

The Protective Security Project delivers safety and security enhancements to crowded public spaces/publicly accessible locations (PALs). The project is projecting to fully slip the budget of £0.3m into future years. This is because the project is currently paused and awaiting a Mayoral decision. Transformation of the CCTV Public Space Infrastructure and 24/7 Control Room reprovision and redesign programme with a budget of £0.4m is planning to spend £0.8m - thereby overspending by £0.4m. This Programme includes the redesign, fit out and reprovision of a new CCTV 24/7 control room. The costs of the building works are significantly higher than original estimates due to inflationary increases to materials, generator, acoustic housing and overall building contracts. A recovery plan and actions to scrutinise the building costs and mitigate spend where possible are in place.

TFL funded schemes with an in-year budget allocation of £1.9m is forecast to underspend against the full budget. The key contributor to this forecast underspend is the Improving Air Quality project, which accounts for the majority of the in-year budget. This project was previously planned to be funded by external grant, which has not been subsequently secured, hence no spend can be incurred.

Transport S106 funded schemes, with an in-year budget allocation of £4.3m, is forecast to slip into future years. £2.3m of Public Realm schemes are being discontinued with replacement schemes currently going through the capital governance process for approval, hence profile spend has been updated. £2.0m of S106 funded TFL scheme budgets are forecast to slip into future years. This scheme is designed to passport funds to Transport for London (TFL) with the council acting as an agent. These are funds contributed by developers for works that impact on the transport system for TFL to resolve. The funds to be ported to TfL for Blackwall DLR is yet to be finalised.

Public Realm Improvement programme budgets are forecast to fully underspend in-year by £4.1m. The significant project that is driving the underspend is Liveable Streets, where spend is no longer anticipated due to the cessation of the project. A new set of works will be required to restore the assets and an alternative funding source is currently being explored. Poplar High Street public realm and bus service improvements, Preston's Road: Vision Zero, Slow Charging Points and Maroon Street Pocket Park are the other projects leading to the overall under spend on the programme as these projects are not progressing further. New projects such as Preston's road, Marsh Wall Environmental and Highways Improvement and Poplar High Street have been developed to replace Preston's Road: Vision Zero and are currently going through the council's capital governance process for approval.

The other significant programme within the Communities Directorate is the Parks Programme, with a total revised budget allocation of £6.2m for the year. The forecast outturn for the year is £4.3m, resulting in forecast variance of £1.9m due to net slippages of £2.3m and net overspends of £0.4m at year-end. There are several smaller schemes forming this programme and further details of these schemes are provided as follows;

The 2023/24 revised budget for Quality Parks projects is £2.9m, with forecast spend of £1.3m anticipated at year-end and the project will slip £1.6m into future years. The budget for this programme has been reconfigured several times to ensure that it meets the council's priorities for the Parks Programme. In particular, there is £1.0m earmarked for Allen Gardens that has been held back subject to approval (which has now been received) of match funding from central government with plans being finalised before the project can formally commence. Other aspects of this programme were only approved in late 2022, and as the funding was intended to be spread out over several years, aspects of the programme will need to be profiled for future years.

The Inclusive Playgrounds project budget allocations of £0.7m for the year are forecast to spend £0.4m in-year, resulting in expected net slippages of £0.3m into future years. Of the £0.7m budget, £0.3m has been earmarked for specific projects that will be delivered in future years. The John McDougall Gardens project (£0.2m) requires consultation and will be commenced after the summer holiday programme, which means the construction won't commence until spring 2024 and the St George's project (£0.1m) cannot move forward until plans are confirmed alongside the new leisure centre project.

The Christ Church Garden project budget allocation of £0.5m is forecast to spend £0.1m in-year, resulting in expected slippages of £0.4m into future years. The original plan was to procure a design team last autumn, with works expected to complete by year-end. However, the Community Advisory Group in charge of the project has decided to amend the design brief and commission a new design team. The position will be kept under review through the year.

The net overspends of £0.4m in the Parks Programme is principally from Victoria Park Mini Golf with a budget of £0.4m and is forecasting a full year spend of £0.8m; overspend of £0.4m due to rise in construction costs. The funding source for the overspend is currently being explored with a view of potentially being funded through developer's contributions.

The St George Leisure Centre project is a significant capital project being delivered within the councils Communities Programme. The project has a budget allocation of £3.9m and forecast spend for the year is £0.9m due to expected slippages of £3.0m of spend into future years. The delay experienced is due to the late start of the Design Team and Employers Agent Contracts. Employers' agent has been appointed in September 2023, with the expectation that the main contractor for the demolition phase will be on board by April 2024, with demolition commencing in May 2024 following planning approval. A main contractor will be appointed through a Pre-Construction Services Agreement (PCSA) expected in October 2024. Construction should start on the new-build elements in May 2025. As a result of these dates, the scheme (both Housing and General fund elements will need to be re-profiled, expected as part of the budget setting process.

Health & Adults Social Care

The 2023/24 revised budget for Health & Adults Social Care Approved Programme is £6.4m. The forecast outturn for the programme is £5.2m (82% of the revised budget) resulting in total forecast variance of £1.2m which is across the programme and will slip into future years.

The majority of capital projects in the Health and Adult Social Care Directorate, which had earlier paused due to the pandemic, have been reinstated. Projects in the approved programme are monitored via the Health and Adult Social Care Capital Oversight Group, which meets monthly.

Public Health projects have a combined capital budget of £4.7m with spend forecast to slip £1.6m into future years. The projects (New Health Centre on Wood Wharf, Goodman Fields) are now completed and the budget to be slipped is the retention fees which is payable in the next financial year. These projects are led by the NHS and they are very slow at invoicing for works completed. The project managers will continue to press for prompt invoicing.

The Sewardstone Road project within the Adult social care programme with a budget of £0.6m is forecasting accelerated spend of £0.4m. The project is near completion, and the final cost position may be worse subject to retention costs being finalised. Day provision Antill Rd with a budget of £0.5m is projecting a slippage of £0.4m. The project is now paused, and its future is being reviewed. Norman Grove which has a revised budget of £0.4m for 2023/24 is forecasting spend of £0.7m, resulting in an accelerated spend of £0.4m in this financial year.

Housing & Regeneration

The 2023/24 revised budget for Housing and Regeneration Approved Programme is £24.8m. The forecast outturn for the programme is £14.4m (58% of the revised budget) resulting in total forecast variance of £10.4m due to expected net slippages of £10.4m across the programme.

There are various key projects that are driving the forecast variance of £10.4m, detailed as follows;

The New Town Hall project budget allocation for the year of £5.9m is forecast to slip of £1.9m at year-end into future years. The slipped budget is the withheld retention fees, and the end of defects will be June 2024 when this is expected to be released to the contractor.

The South Dock Bridge project, with an in-year budget allocation of £8.9m is forecast to slip by £4.0m into future years. Property specialist consultants has now been appointed to negotiate on the land, air and water rights acquisitions to build the bridge. This appointment has been subjected to an approximate 7 month delay coupled with the delay in the appointment of the construction contractor have led to the expected slippages for the year. The property consultant is currently developing a workplan to allow for more accurate revision of budget profile spend (expected in October 2023). The costs for property consultant fees and any landowner settlements will now be incurred later in the financial year and some of the follow-on costs from other activities will need to slip into the next financial year. It is envisaged that the construction contractor will be appointed in the next financial year and the bulk of construction cost will be profiled for 2024/25 and 2025/26.

The Carbon Offsetting project with a budget allocation of £3.6m for the year is forecasting spend of £1.8m in 2023/24, thereby slipping a budget of £1.8m into future years. The budget needs to be re-profiled across future years in line with the latest project plans and spends where projects are largely currently looking at being procured.

The Asset maximisation programme within the Place Programme, is forecasting a net slippage of £1.1m and an underspend of £0.1m against a budget of £2.7m. The 'Montefiore Centre Refurbishment' project, with an in-year budget allocation of £1.3m, is forecast to slip by £1.0m into future years. The project has been paused to explore the addition of residential units within the refurbishment. The Indicative Feasibility Schemes - Asset Maximisation project with an in-year budget allocation of £0.3m is forecast to underspend in full. This is a pool of funds for project feasibility studies across the council and since it is now deemed these costs are revenue by nature, the budget allocation has been withdrawn from the capital programme.

The Temporary Coroner's Court project (£0.3m) and Contingency 15% Uplift project (£0.5m) are capital projects which though have been approved are still progressing through the council's capital governance process and for period 6 monitoring purposes, a nil forecast has been made against these projects for 2023/24 as they are not yet live. This will be kept under review throughout the year, and forecasts updated accordingly.

<u>Resources</u>

The 2023/24 revised budget for Resources Approved Programme is £1.4m. The forecast outturn for the programme is £1.0m (66% of the revised budget) resulting in total forecast variance of £0.4m across the programme, which will be slipped into future years.

The Idea Store Whitechapel/Cultural Campus project with an in-year budget allocation of £1.0m is forecast to slip by £0.5m into future years. The forecast spend for the year relates to phase 1 of the project which is for essential works and replacement of lifts. The expected slippage is to allow for time for a wider review of the over-arching Idea Store strategy.

IT smarter working is forecasting an accelerated spend of £0.1m at year end.

Annual Rolling Programme

Theme	Directorate	Revised Budget £'m	Actual Spent to Date £'m	Current Forecast £'m	Variance Forecast to Budget £'m	Forecast to Revised Budget %	(Slippage) / Acceleration £'m	(Under) / Over spend £'m
Approved Rolling Programme	Children Services	4.0	0.9	3.5	(0.5)	87%	(0.5)	0.0
	Communities	6.3	0.5	6.3	0.0	100%	0.0	0.0
	Health & Adult Social Care	0.3	0.0	0.0	(0.3)	0%	(0.3)	0.0
	Housing & Regeneration	3.2	0.8	3.2	0.0	100%	0.0	0.0
	Resources	2.2	0.0	2.2	(0.0)	100%	0.0	0.0
Approved Rolling Programme Total		**16.0**	**2.2**	**15.2**	**(0.8)**	**95%**	**(0.8)**	**0.0**

The 2023/24 revised budget for the Annual Rolling Programme is £16.0m. The forecast outturn for the Approved Programme is £15.2m (95% of the revised budget) resulting in total forecast variance of £0.8m due to expected net slippages of £0.8m across the programme.

Children's Services

The 2023/24 revised budget for the Children Services Annual Rolling Programme is £5.0m. The forecast outturn for the programme is £4.5m (90% of the revised budget) resulting in total forecast variance of £0.5m, an underspend across the programme.

The Conditions and Improvement for Schools' project with in-year budget allocation of £3.0m is forecast to spend £3.5m due to accelerated spend of £0.5m from future years. The programme reacts across the maintained school estate on a condition need requirement. As this is a ring-fenced externally funded budget, all overspends will be recovered within the Conditions and Improvement programme from the following financial year.

Improvements to Youths provisions (£1.0m) are capital projects which though have been approved are now progressing through the council's capital governance process and for period 6 monitoring purposes, a nil forecast has been made against these projects for 2023/24 as they are not yet live. This will be kept under review throughout the year, and forecasts updated accordingly.

Communities

The 2023/24 revised budget for the Communities Annual Rolling Programme is £6.3m – largely relating to capital footway and carriageways (£5.0m) and Leisure Centre Improvements (£1.0m). The forecast outturn for the programme is £6.3m, as per budget. This will be kept under review through the year.

Health & Adults Social Care

The 2023/24 revised budget for the Health, Adults & Communities Annual Rolling Programme is £0.3m. The forecast outturn for the programme is nil, resulting in total forecast variance of £0.3m due to expected net slippages of £0.3m across the programme.

Adults Social Care Disabled Facility Grant (DFG) (£0.3m) is a capital project which though has been approved is now progressing through the council's capital governance process and for period 6 monitoring purposes, a nil forecast has been made against these projects for 2023/24 as they are not yet live. This will be kept under review throughout the year, and forecasts updated accordingly.

Housing & Regeneration
The 2023/24 revised budget for the Resources Annual Rolling Programme is £3.2m – relating to Dedicated Facilities Grant (DFG) works (£1.2m) and Investment Works on LBTH Assets (£2.0m). The forecast outturn for the programme is as per budget - £3.2m. will be kept under review through the year.

Resources
The 2023/24 revised budget for the Resources Annual Rolling Programme is £2.2m. The forecast outturn for the programme is £2.2m, relating to the IT rolling Programme, resulting in forecast nil variance. This will be kept under review through the year.

Invest to Save

Theme	Directorate	Revised Budget £'m	Actual Spent to Date £'m	Current Forecast £'m	Variance Forecast to Budget £'m	Forecast to Revised Budget %	(Slippage) / Acceleration £'m	(Under) / Over spend £'m
Invest to Save Programme	Communities	1.4	0.2	0.9	(0.5)	65%	(0.5)	0.0
	Housing & Regeneration	4.1	1.3	1.3	(2.8)	31%	(2.8)	0.0
Invest to Save Programme Total		**5.6**	**1.5**	**2.2**	**(3.3)**	**40%**	(3.3)	**0.0**

The 2023/24 revised budget for the Invest to Save programme is £5.6m. The forecast outturn for the programme is £2.2m (40% of the revised budget) resulting in total forecast variance of £3.3m due to expected net slippages of £3.3m across the programme.

Housing & Regeneration
The Conversion of Temporary Accommodation (TA) programme budget allocation for the for the year is £1.5m, which is forecast to fully slip by £1.5m into future years as there are currently no identified properties for this programme. The slippage is because homes originally envisaged to be delivered through this programme, are now being delivered as permanent homes and have been moved into the HRA programme. The budget is to be reviewed, with a potential view to funding being re-allocated to the HRA new build programme. The Purchase of Temporary Accommodation (TA) programme budget of £2.6m is forecast to slip by £1.3m into future years as not all in-year planned purchases are expected to proceed to completion.

Communities
Remote street lighting project with a budget of £0.5m is a capital project which though has been approved is now progressing through the council's capital governance process and for period 6 monitoring purposes, a nil forecast has been made against these projects for 2023/24 as they are not yet live. This will be kept under review throughout the year, and forecasts updated accordingly.

LIF Programme

Theme	Directorate	Revised Budget £'m	Actual Spent to Date £'m	Current Forecast £'m	Variance Forecast to Budget £'m	Forecast to Revised Budget %	(Slippage) / Acceleration £'m	(Under) / Over spend £'m
LIF Programme	Communities	6.9	0.0	6.5	(0.4)	95%	(0.4)	0.0
	Housing & Regeneration	0.3	0.0	0.0	(0.3)	9%	(0.3)	0.0
LIF Programme Total		**7.2**	**0.0**	**6.5**	**(0.7)**	**90%**	(0.7)	**0.0**

The LIF programme has now been split across two directorates - the Place and Communities Directorate. The 2023/24 revised budget for the LIF programme is £7.2m. The forecast spend for the programme is £6.5m for the year, (90% of the revised budget) due to forecast slippages of £0.7m into future years. A new approach to Neighbourhood CIL (previously locally called LIF) was approved by Cabinet in July 2023. This will see major changes to the use of this funding source splitting it between revenue grants and capital funding for infrastructure and affordable housing schemes. Individual project allocations will be made during Q3 and Q4. As a result, there will no longer be allocation and spend of the funding to new projects in the LIF Programme. Note that existing projects underway and to be delivered using historic LIF allocations have their own budget lines.

Housing Revenue Account (HRA) forecast outturn £72.7m against a revised budget of £160.1m
Variance £87.4m - net slippage £87.4m

Housing Revenue Account (HRA) Capital Forecast

Theme	Programme	Directorate	Revised Budget £'m	Actual Spent to Date £'m	Current Forecast £'m	Variance Forecast to Budget £'m	Forecast to Revised Budget %	(Slippage) / Acceleration £'m
Approved Programme	HRA - THH Projects	Communities	0.6	0.0	1.1	0.5	183%	0.5
	New Council Homes	HRA	131.1	15.4	47.9	(83.2)	37%	(83.2)
	HRA - Investment works LBTH Assets	Housing & Regeneration	2.0	0.0	0.2	(1.8)	10%	(1.8)
Approved Programme Total			**133.7**	**15.4**	**49.2**	**(84.5)**	**37%**	**(84.5)**
Approved Rolling Programme	HRA - THH Rolling Programme	HRA	26.4	5.0	23.5	(2.9)	89%	(2.9)
Approved Rolling Programme Total			**26.4**	**5.0**	**23.5**	**(2.9)**	**89%**	**(2.9)**
HRA Grand Total			**160.1**	**20.4**	**72.7**	**(87.4)**	**45%**	**(87.4)**

On 1st March 2023, Full Council approved a total HRA capital programme for 2023/24 to 2025/26 totalling £389.6m, of which £156.2m related to the 2023/24 financial year. Subsequently, on 26th July 2023, Cabinet approved £22.4m of net capital slippage from the 2022/23 provisional outturn, resulting in a total revised HRA capital programme budget for 2023/24 to 2025/26 of £412m, of which £160.1m related to the 2023/24 financial year.

Furthermore, on 20 September 2023, Cabinet approved an increase in budget of £73.2m to the Housing Development Capital programme (New Council Homes programme) over the course of the council's medium-term programme to deliver on the Mayor's aspirations on housing for the borough.

The period 6 forecast outturn HRA capital expenditure for the year is £72.7m, which represents 45% of the revised 2023/24 capital budget of £160.1m. The forecast variance of £87.4m, is due to expected net slippages across the programme, particularly within the New Council Homes programme. The total spend to date is £20.4m, which will need to be kept under close review to ensure forecasts are materialising as expected for the remainder of the year. The details of the programmes are set out below;

Approved Programme

Theme	Programme	Directorate	Revised Budget £'m	Actual Spent to Date £'m	Current Forecast £'m	Variance Forecast to Budget £'m	Forecast to Revised Budget %	(Slippage) / Acceleration £'m
Approved Programme	HRA - THH Projects	Communities	0.6	0.0	1.1	0.5	183%	0.5
	New Council Homes	HRA	131.1	15.4	47.9	(83.2)	37%	(83.2)
	HRA - Investment works LBTH Assets	Housing & Regeneration	2.0	0.0	0.2	(1.8)	10%	(1.8)
Approved Programme Total			**133.7**	**15.4**	**49.2**	**(84.5)**	**37%**	**(84.5)**

The 2023/24 revised budget for the Approved Programme is £133.7m. The forecast outturn for the Approved Programme is £49.2m (37% of the revised budget) resulting in total forecast variance of £84.5m due to expected net slippages across the programme.

Approved Programme - New Council Homes

The council revised New Council Homes capital programme budget for 2023/24 amounted to £131.1m which was in line with the previous update to HRA business plan carried out in late 2022. The business plan is currently being updated, which will provide an update on affordability within the HRA capital programme based on the latest position on HRA funding and costs and allow a re-profiling of the programme to be undertaken to reflect the latest plans and time frames for the programme.

Of the 2023/24 programme, total council approved housing scheme budgets amounted to c£116m. As at Quarter 2 (April – September) of 2023/24, the spend to date amounted to £15.4m, with the full year forecast spend for the year of £47.9m. If the forecast spend materialises as expected at year-end, this will lead to a variance of £68.1m at year-end. The majority of the variance on housing schemes is due to expected slippages in the programme for a range of reasons, including;

- on site difficulties with contractors e.g. experiencing labour and material supply issues, inflation, cash flow and actual contractual performance
- procurement difficulties in getting contracts out tenders returned meaning what had been hoped for start on sites earlier have slipped
- a number of schemes are going through re-design, some already with planning consent at the request of the Administration to try get an increase in larger sized homes.

The programme will be re-profiled for 2023-27 in line with the update of the HRA Business Plan.

Annual Rolling Programme

Theme	Programme	Directorate	Revised Budget £'m	Actual Spent to Date £'m	Current Forecast £'m	Variance Forecast to Budget £'m	Forecast to Revised Budget %	(Slippage) / Acceleration £'m
Approved Rolling Programme	HRA - THH Rolling Programme	HRA	26.4	5.0	23.5	(2.9)	89%	(2.9)
Approved Rolling Programme Total			**26.4**	**5.0**	**23.5**	**(2.9)**	**89%**	**(2.9)**

Tower Hamlets Homes (THH)

The 2023/24 revised budget for the HRA Annual Rolling Programme is £26.4m. The forecast outturn for the programme is £23.5m (89% of the revised budget) resulting in total forecast variance of £2.9m due to expected net slippages of £2.9m within the programme. This will be kept under review through the year, given the actual spend to date.